



Ethics at Work

About this Topic: Ethics at Work



Topic Mentor

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What Would You Do?

What would you do?

Viktor, an operations manager at Principle Tools, sits brooding at his desk. He has learned over the weekend that Barbara, one of his most talented recent hires, lied about her education credentials when applying for the job in his department six months ago.

At a professional event on Saturday, Viktor had met Mike, a manager at Principle Tools' biggest competitor, A1Corp. When Viktor learned that Mike had worked with Barbara at A1Corp, he commented on her strong skills, adding, "I'm so impressed she earned an advanced business degree at City University while working full time." Startled, Mike replied, "That's strange. I remember when Barbara enrolled in her first MBA class two years ago. She loved the class, but couldn't complete it because it was too much work for her. She couldn't possibly have finished the degree already."

Back at his desk, Viktor wonders what to do. He's called City University, and verified that Barbara only completed three classes toward her MBA. Should he fire Barbara for misrepresenting her qualifications? This would send a message that Principle Tools values education and honesty. But Principle Tools would lose Barbara's talents at a time when it desperately needs them. Should he do nothing so Principle Tools can continue benefiting from Barbara's skills? If other employees discover that Barbara has kept her job despite lying, they might conclude that Principle Tools doesn't live its stated values. Cynicism and resentment could erode team productivity and morale. He checks Principle Tools' code of conduct, but it doesn't address this situation.

What would you do?

Viktor is facing a tough ethical dilemma. Principle Tools' formal code of conduct offers no guidance about how to handle this type of situation. And there are no clear laws or industry codes he can turn to for help.

He'll need to work through the dilemma himself—systematically assessing the facts relevant to the situation, considering the consequences of possible courses of action he might take, and testing his decision for ethical soundness. All this takes time. So, if possible, he should avoid making a swift decision. There's a risk in delay: Other employees may find out about Barbara's lie. However, resolving ethical dilemmas requires careful thought. If he makes a decision now without weighing its implications, he may regret it later.

In this topic, you'll learn why mastering a disciplined framework for resolving ethical dilemmas in business is so important. And you'll discover how to take a structured, three-phase approach to resolving such dilemmas.

You learn that one of your most promising employees lied about her credentials. How would you handle this dilemma?

Topic Objectives

This topic helps you:

- Understand the importance of conducting business ethically
- Apply a structured framework to resolve "right-versus-right" ethical dilemmas
- Build a culture of integrity among employees, customers, and other stakeholders
- Recognize the complexity of making ethical decisions across borders

Two ethical dilemmas



Dilemma #1: Your boss has told you your company's planning a layoff, and has named the members of your team who'll lose their jobs. Dean, one of the targeted employees, tells you he's considering

buying a new home, and asks your advice. Do you tell him about the impending layoff, and risk panicking everyone? Or do you keep quiet, possibly jeopardizing Dean's financial future?

Dilemma #2: Monica, a single parent on your staff, is falling behind in her work during a time when your department is facing a huge deadline with an important customer. Your boss wants you to fire Monica and replace her with someone else who has an excellent track record. Do you take this step so your team can meet the deadline? Or do you refuse, citing your company's core values, which include "family friendliness"?

These dilemmas—while different on the surface—have one thing in common: They both have several possible "right" solutions. These "**right-versus-right**" ethical dilemmas are tough to resolve, because you can't simply point to a law or a published code of conduct for guidance. This topic focuses on these difficult dilemmas.

Contrast right-versus-right situations with "**right-versus-wrong**" questions, such as "Should I embezzle from my company?" or "Should I accept this lavish gift from a supplier, even though it far exceeds the dollar value spelled out in our company handbook?" In these situations, the correct behavior is clear—stipulated by the legal system or your company's code of conduct.

Workplace ethics: a definition

Right-versus-right dilemmas (where there's no one "correct" solution) illustrate a field of practice known as **workplace ethics**. But what is ethics, exactly?

Ethics is based on morals: personal values that help individuals determine right and wrong. **Workplace ethics** is how a person applies his or her morals to professional situations and decisions.

Workplace ethics thus, is an example of **applied ethics**—as opposed to general philosophical inquiry into "what is good." As such, workplace ethics can be *learned*.

That's what you'll be doing in this topic: discovering a decision-making process for resolving the tough right-versus-right dilemmas that can plague any manager. The process you'll learn here will, of course, help reinforce the right-versus-wrong decisions you make on the job. But it will prove even more helpful in making right-versus-right decisions. Those dilemmas aren't as clear-cut, and many managers incorrectly assume they can rely on their gut instinct to resolve them.

Key Idea: Why bother with ethics at work?

When everyone in an organization manages right-versus-wrong situations correctly—obeying the law and the company's published code of conduct—all stakeholders benefit. For example:

- The **company** builds a good reputation for fair employment practices, social and environmental responsibility, and fiscal integrity. Customers (whether individual consumers or other businesses) want to buy more from companies with good reputations. And suppliers want to do business with them.
- The **company** avoids the high costs—lengthy government investigations, staggering financial liabilities, loss of morale—that come with getting caught in serious wrongdoing.
- **Investors** benefit because the more customers buy from the company, the better its financial performance—thus the greater the return on the investment.

- **Employees** take pride in working for a reputable company. They also trust one another to "do the right thing," so they share more information and ideas—which drives innovation.
- **Society** is better off, because economies thrive on trust. They sputter when trust evaporates, as has happened during recessions triggered in part by unethical practices by business or government leaders.

When managers master a process for effectively resolving right-versus-right ethical dilemmas, these benefits are compounded. Trust among colleagues grows, the company gains an even stronger reputation for integrity, employees have even more pride in the organization, and so forth. Everyone wins.

Everyone benefits when ethical situations in the workplace are managed correctly.

Activity: How ethical are you?

Activity derived from Jeffrey L. Seglin, "Business with a Conscience: Do It Right." MBA Jungle, November 2001.

Read each of the 10 scenarios that follow and choose a response for each. Manually record your answer to each question as you go.

Scenario 1

An employee you manage tells you he's about to put a down payment on a house. You know he's going to be laid off before the month is out, but you've been told this information in strict confidence. He wants your advice on the stability of the company. What do you do?

- A. Suggest he wait until the end of the month before making a decision.
- B. Tell him that he's about to be laid off.
- C. Tell him the company is doing just fine, and wish him well.

Scenario 2

During your annual review, your boss praises you lavishly for the wonderful job you did on a project. You know that the bulk of the work was done by a colleague whose contributions have gone unnoticed. When the boss stops speaking, what do you do?

- A. Thank him, and let him know that your colleague was the chief contributor to the project.
- B. Thank him, and let him know it was a team effort.
- C. Thank him, and smile.

Scenario 3

You're the only one at the office working late. As you pass by your boss's office, you notice her e-mail is still up on her screen. What do you do?

- A. Pass on by. It's none of your business.
- B. Pass on by. You might get caught.
- C. Walk in and read as much as you can.

Scenario 4

Company policy is not to pay for in-room movies when managers are traveling on business.

Nevertheless, you call up a few films on the hotel television, and an \$18 charge appears on your bill. What do you do?

- A. Decide not to request reimbursement for the \$18, and pay for the movies out of your own pocket.
- B. Choose not to request reimbursement for the movies, but add \$18 to your expense account disguised as another expense.
- C. Insist to the hotel front desk that you never saw the movies and you've been billed incorrectly.

Scenario 5

Bids come in from three equally qualified vendors for a project you're managing on a tight budget. Your company has a policy against accepting gifts from vendors, but the high bidder has offered to slip you tickets to a major national sports event. What do you do?

- A. Give the job to the lowest bidder and tell the high bidder that company policy forbids you to take gifts.
- B. Give the job to the low bidder, and ignore the high bidder's ticket offer.
- C. Give the job to the high bidder—telling yourself the tickets are a sign he wants your business more than the others do.

Scenario 6

A colleague tells you that her boss has discriminated against her. What do you do?

- A. Encourage her to report the incident to the HR department.
- B. Report the incident to the HR department yourself.
- C. Suggest that she look for job openings in other parts of the company.

Scenario 7

Your company is seriously considering entering a new market, and you want to find out how much its competitors charge for their goods and services. What do you do?

- A. Call the competitors, identify yourself, and see if they'll share pricing information with you.
- B. Pose as a prospective customer and get as much pricing material as you can from the competitors.
- C. Pay a friend to call the competitors and tell them he'd like their pricing information for a market study he's working on.

Scenario 8

A highly talented member of your team misses a critical meeting with your company's largest customer. As a result, you lose \$100,000—half of the expected fee. A few days later, you discover that the employee is suffering burnout from taking on too many outside commitments. What do you do?

- A. Get him to agree to attend a stress-management workshop and give him another chance.
- B. Forget about the incident. He's too talented to lose, and in the long run he'll more than make up for this one lost customer.
- C. Fire him on the spot.

Scenario 9

On your way into the office, you wait in line for 10 minutes at a busy coffee shop to buy a

coffee and a muffin. A few blocks down the road, you realize that the clerk gave you change for \$20 rather than for the \$10 you gave him. What do you do?

- A. Go back to the coffee shop, and tell the clerk he gave you too much change.
- B. Wait until the next time you're at the coffee shop, and return the difference then.
- C. Enjoy your coffee, muffin, and free \$10.

Scenario 10

In addition to your full-time job, you've done some independent consulting work in another industry during the year. When tax time rolls around, you realize one client neglected to issue a tax reporting form for the \$4,500 he paid you. When you're calculating your taxes, what do you do?

- A. Let your client know you haven't received the tax reporting form but that you're going to report the \$4,500 to the government.
- B. Report the \$4,500.
- C. Don't report the \$4,500.

☐ 0-5

GONE ASTRAY

Given the choice between taking the honest path and a less honorable road, you are drawn to the latter. While you might justify your decisions as a short-term boost to your company's—or your own—bottom line, regardless of the ethics involved, they could have a disastrous effect on your organization's or your own long-term performance. To become a more ethical person, you need to learn how to think through the potential courses of action you're considering when faced with an ethical dilemma. This involves gathering and analyzing the facts related to the dilemma, considering the consequences of various decisions you're weighing, and testing the ethical soundness of your decisions.

☐ 6-14

ETHICALLY CHALLENGED

You try to make the right choice, but sometimes your curiosity or insecurity draws you to an action that on a better day you might not have chosen. No one said making ethical decisions was ever going to be easy, especially when doing the right thing can have costs. Good ethical behavior, after all, doesn't always have a positive payback. Sometimes it takes courage to keep on target when others are off the mark. But chances are it will pay off for you. To become a more ethical person, you need to learn how to think through the potential courses of action you're considering when faced with an ethical dilemma. This involves gathering and analyzing the facts related to the dilemma, considering the consequences of various decisions you're weighing, and testing the ethical soundness of your decisions.

☐ 15-20

HIGHLY PRINCIPLED

You have a well-developed sense of right and wrong—and the integrity to lean toward the former. There's ample temptation in business and personal life, so it takes some resolve to walk the ethical line. Part of the process of being an ethical person is thinking

through the potential courses of action you're considering when faced with an ethical dilemma. This involves gathering and analyzing the facts related to the dilemma, considering the consequences of various decisions you're weighing, and testing the ethical soundness of your decisions.

Key Idea: What is an ethical dilemma?

Most managers face ethical dilemmas at work on a regular basis. An *ethical dilemma* is a situation in which you must choose between two or more courses of action, each of which could harm someone (one or more individuals) or something (such as an organization, the environment, or the level of trust or security in a society).

For example, your action could:

- Violate someone's **rights**—his or her entitlement to certain behavior from other people (such as a right to privacy or a right to equal treatment in the workplace).
- Erode conditions that are important for the **common good** (everyone's welfare). These conditions might include a system of laws, effective education, and opportunities to find employment.
- Call into question your own **virtue**—your ability to act according to the highest potential of your character and on behalf of your deepest values.

Ethical dilemmas are particularly difficult to resolve—for several reasons:

- There are no laws or codes of conduct spelling out what to do and what not to do in such cases, thus there are no clear right and wrong answers.
- The situations require you to choose between several potential courses of action that all seem ethically valid.
- The situations force you to put one valued ideal ahead of another.
- There are many potential consequences of each course of action you're considering—for many stakeholders. It's impossible to weigh all the possibilities and identify one seemingly best course of action.

Ethical dilemmas contrast sharply with right-versus-wrong situations, where the correct and incorrect courses of action are evident. For example, it's obviously wrong to steal from the company you work for.

Ethical dilemmas aren't easy. It's hard to make decisions when any course of action you choose could harm someone or something.

Leadership Insight: Ethical ambiguity

There's a story about a Harvard Business School professor who's trying to figure out how to teach business ethics. She's standing up in the front of the class and starts to talk about this legendary case of Johnson & Johnson and the Tylenol case, where in the early '80s somebody had tainted bottles of Tylenol with cyanide, resulting in the deaths of seven or eight people through absolutely no fault or responsibility of Johnson & Johnson.

Johnson & Johnson is faced with the decision of what to do. And she's telling this case to the students and the students are getting agitated as she's saying that. It's clear that they don't think this is an ethics case. And she says, "Why don't you think this is an ethics case?"

The students say, "That resulted in such goodwill for Johnson & Johnson. People loved the company because they pulled all the bottles off the shelf as a result and spent hundreds of millions of dollars doing that."

And as she's talking to them she realizes that the perceptions that the students have and that most people have is for something to be ethical, it has to cause pain. And that couldn't be farther from the truth.

When you talk about ethics, you're talking about the place we all find comfort, the place we can agree on how we best behave in a particular situation. And the challenge for ethics is that most situations we face are not cut and dried and not clear-cut. They are complex.

We all know what to do when there's a stark right and wrong answer such as, "Do I murder someone? Do I not murder someone?" Typically we'll all say, no, we don't murder someone. But those aren't the types of decisions we face on a day-to-day basis when we're at the workplace, when we're living our lives.

The choices we have to make are between multiple right choices. We have to decide among those multiple right choices: "What's the best right choice I can make?" So that's the reason that when you make an ethical choice, when you make an ethical decision, you can't just rely on gut instinct.

Because there are multiple right choices you can make and you need to think through what the implications of your choice are: If I make this right choice, who does that affect? If I make that right choice, who does that affect?

So it's navigating the grey area among the various right choices you have to come up with the best right choice you can arrive at.

Ethical decisions most often are not about choosing between a right and wrong answer — but between two *right* answers.

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He is an ethics fellow at the Poynter Institute for Media Studies and has served as a resident fellow at the Center for the Study of Values in Public Life at Harvard.

An example

“Relativity applies to physics,
not ethics.”
—Albert Einstein

Here's an example that demonstrates the complexity of ethical dilemmas:

You go to use the copying machine down the hall. When you open the lid, you find a list of salaries of all the people who work in your division. You can't help glancing at the numbers, and you notice that several managers less experienced than you are making significantly more money.

What do you do? Should you:

- Leave the document where it is and walk away? If so, other people will see it and could be upset over the salary inequities—eroding morale and productivity in the organization.
- Crumple up the document and throw it in the trash? If you do that, whoever left the document may be left to wonder what happened to the original when he or she goes to retrieve it.
- Place the document in a folder and return it to your boss? If you do, do you risk harming the career of whoever left the document in the copier?
- Use the information you've gained to negotiate a salary increase with your boss? If so, would that constitute unfair advantage over other managers who don't have the same information you have?

Gut feelings are not enough

Because ethical dilemmas are so pervasive and complex, managers need a disciplined framework for resolving them—for deciding what course of action to take.

Yet many managers rely on "gut feel," instinct, and emotion to resolve these dilemmas. If they use reason at all, they do so after the fact—to justify their instinctual response rather than test their decision before acting.

While instinct can help you resolve an ethical dilemma, relying solely on your gut presents several problems:

- People's instincts frequently differ: What feels like a sound ethical judgment to you might feel otherwise to someone else.
- Few people have such well-honed instincts that they automatically see all the ethical questions in complex business decisions—such as a major organizational restructuring or launch of a new

business model.

- It's difficult to envision all the possible right choices you could make for a dilemma and each choice's ramifications if you're relying solely on instinct.
- Some people feel good even when they're doing something wrong. Alternatively, if doing the right thing is difficult, you may choose to do the wrong thing instead, simply because it is easier.

For all these reasons, it's vital to master a rigorous decision-making framework for resolving ethical dilemmas rather than relying only on instinct.

Reviewing ethical decision-making frameworks

There are numerous decision-making frameworks available for resolving ethical dilemmas. But many have limitations. Here's a quick review of several and an analysis of their limitations:

Ethical Decision-Making Frameworks

Framework Type	Distinguishing feature	Limitation
Utilitarian	Proposed by English philosopher John Stuart Mill, this framework holds that the most ethically sound course of action is the one that produces the most good for the greatest number of people.	It's not always clear what a "good" outcome would be—or who should be the recipient of the "good."
Values-based	You administer self-tests of your own values. For example, you	Values-based tests are only as good as the user's moral compass.

	<p>ask yourself, “Would I be comfortable if my actions were described on the front page of a respected newspaper?” “Can I sleep at night after taking this action?” or “Am I comfortable with what my behavior says about my legacy?”</p>	<p>Someone with no sense of morality at all might sleep just fine after doing something completely unethical. Also, when you rely solely on these tests, you don’t discuss the dilemma with others. Talking with others can be invaluable for making difficult ethical choices.</p>
Rules-based	<p>These frameworks call on people to follow specific guidelines set out by repositories of rules, such as company ethics programs.</p>	<p>Simply following rules doesn’t teach people critical judgment skills needed to navigate the gray areas that characterize right-versus-right ethical dilemmas.</p>

Activity: Name that decision-making framework

Understanding ethical decision-making frameworks can help you avoid problematic ones.

Mohammed wonders what to do about a dilemma involving information he might learn about a competing company. To make his decision, he consults his company's code of conduct.

☐ Utilitarian

Not the best choice. This manager is using a rules-based framework, not the Utilitarian one, following specific guidelines set out by a company's ethics or conduct programs or laws.

☐ Values-based

Not the best choice. This manager is using a rules-based framework, not a values-based one, following specific guidelines set out by a company's ethics or conduct programs or laws.

☐ Rules-based

Correct choice. Managers who use rules-based frameworks follow specific guidelines set out by their company's ethics or conduct programs or laws. The problem with such frameworks is that they don't teach managers critical judgment skills needed to navigate right-versus-right situations.

In struggling to resolve an ethical dilemma related to expense accounting during business trips, Martine asks herself, "What course of action will produce the most good for the greatest number of people?"

☐ Utilitarian

Correct choice. The belief that the most ethically sound decision is the one that produces the most good for the most people underlies the Utilitarian framework. The difficulty with this framework is that it's too abstract.

☐ Values-based

Not the best choice. The belief that the most ethically sound decision is the one that produces the most good for the most people underlies the Utilitarian framework, not a values-based framework.

☐ Rules-based

Not the best choice. The belief that the most ethically sound decision is the one that produces the most good for the most people underlies the Utilitarian framework, not a rules-based framework.

While trying to determine how to handle an ethical dilemma involving gift-giving between businesspeople, Siobhan asks herself, "If I accept this gift, could I sleep at night?"

☐ Utilitarian

Not the best choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks, not the Utilitarian framework.

☐ Values-based

Correct choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks. The trouble with such frameworks is that they're only as good as the person's inherent sense of morality.

☐ Rules-based

Not the best choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks, not rules-based frameworks.

Unsure of what action to take when confronted with a dilemma involving an upcoming layoff, Anatole closely examines employment law.

☐ Utilitarian

Not the best choice. This manager is using a rules-based framework, not the Utilitarian one, because he is following employment law.

☐ Values-based

Not the best choice. This manager is using a rules-based framework, not a values-based one, because he is following employment law.

☐ Rules-based

Correct choice. Rules-based is the correct choice. Managers who use rules-based frameworks follow specific laws or company codes of conduct. The problem with such frameworks is that they don't teach managers critical judgment skills needed to navigate right-versus-right situations.

In grappling with an ethics question involving a seeming conflict of interest, Nadya determines whether she would be comfortable seeing an article about her decision published in a respected newspaper.

☐ Utilitarian

Not the best choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks, not the Utilitarian framework.

☐ Values-based

Correct choice. Values-based is the correct choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks. The trouble with such frameworks is that they're only as good as the person's inherent sense of morality.

☐ Rules-based

Not the best choice. Looking inward at one's own moral compass to resolve ethical dilemmas is a hallmark of values-based frameworks, not rules-based frameworks.

Key Idea: A three-step framework

Using a structured decision-making approach to resolve ethical dilemmas is valuable because it helps you weigh the implications of the various courses of action you're considering. If you practice using the framework, ultimately you'll become so familiar with it that you'll be able to work through it automatically.

The ethical decision-making framework proposed in this topic is:

- **Comprehensive.** It requires you to consult not only your own inner moral compass but also discuss dilemmas with others to gain the benefit of their perspectives.
- **Practical.** It describes concrete steps you can take to generate the insights you need to resolve a particular ethical dilemma.
- **Instructive.** It teaches you how to strengthen your critical thinking skills so you can make the nuanced judgment calls required in resolving ethical dilemmas.

The framework consists of three steps:

1. **Gather and analyze the facts.**

Ask questions such as "Do I have all the information I need to make this decision?" and "Is my definition of the problem correct?"

2. **Consider the consequences.**

Ask questions such as "Who could be negatively impacted by my decision?" and "What do the parties who'd be affected by my decision think?"

3. **Test your decision.**

Ask questions such as "Will my decision seem just as valid a long time from now as it does today?" and "Can I discuss my decision with people whom I respect without reservation?"

In the rest of this topic, you'll examine each of these steps in greater detail.

When faced with tough dilemmas, it's helpful to use a structured decision-making framework. What are the steps in this framework?

Four types of facts



The first step in our ethical decision-making framework is to gather and analyze the facts. During this step, you collect and evaluate four types of facts. These are facts relevant to:

- How a proposed course of action affects you
- How the proposed course of action affects others
- How the ethical issue at hand came about and how similar issues have been handled previously
- How the decision raises conflicts of loyalty

To gather and analyze these four types of facts, you:

- Define the problem from your perspective
- Define the problem from others' perspectives
- Trace the problem's origin
- Identify the conflicts of loyalty presented by the situation

Define the problem from your perspective

When you accurately define the ethical dilemma you're facing, you help defuse the emotionalism that can come with such decisions. And you boost the chances of making a more informed decision later.

To define the problem accurately:

- Lay out all the relevant and known facts, using neutral rather than emotionally loaded language.
- Accept that you can't know all the facts—but that you'll still need to make a decision.

For example, U.S.-based Principle Tools wants to expand to remain competitive in a tough industry. However, it's struggling financially, in part because the big-box discount retailers that constitute Principle Tools' largest customers have increasingly pressured suppliers like Principle Tools to lower their prices. Any expansion plans carried out by Principle Tools will need to be as cost-effective as possible.

Executives are contemplating setting up a new manufacturing plant in a developing country where costs of materials, construction, and labor are low. They've assembled a special task force comprising managers from several different functions (including finance, HR, sales, and operations) to explore the ethical ramifications of the potential move. The executive team will use the task force's findings to make a decision.

The task force starts by considering the relevant and known facts related to the move. Members come up with the following facts:

- Building the new plant would enable Principle Tools to expand at a cost saving (in terms of materials, construction, and labor) of at least 25%.
- The resulting cost savings would improve profit margins, thus likely enhancing shareholder value.
- The country where the new plant would be constructed would give Principle Tools entry into a new market for its products.
- Construction would create jobs in the developing nation.

These facts suggest that the option of building the new plant in the proposed location merits further study.

Define the problem from others' perspective



State the facts from the viewpoint of how various stakeholders *wouldn't* immediately benefit from the course of action you're considering. This new information helps you move away from self-interest and see the wider implications of your proposed course of action.

For instance, Principle Tools' task force, examining the ethical ramifications of construction of a new plant in the target developing country, has listed facts about how Principle Tools and local residents would benefit from the facility. Members next list the following facts about how residents could be affected in negative ways:

- Constructing the plant would require the destruction of wildlife habitat. Once the plant was operating, it would add pollutants into the air and water beyond the existing industrial operations in the target country.
- The new plant could potentially decrease quality of life in some ways for local residents; for example, by increasing traffic congestion and noise levels and by creating an architectural eyesore, since the building would look dramatically different from others in the area.
- Setting up operations in the developing country and selling Principle Tools' consumer products there might be seen by some citizens of that nation as an intrusion of American culture into their own.

By defining the problem from others' perspective, you reduce the temptation to choose the action that's most expedient for *you*. And you'll more likely select the course of action that's most responsible *overall*.

Trace the problem's origin and history

In addition to defining relevant facts from your own and others' perspective on the ethical problem at hand, trace the problem's origin and history. Ask: "How did this situation come about?" and "What courses of action have been taken in the past to address this and similar situations?"

These questions can yield further facts that help you decide what to do and maybe even generate new and better potential courses of action.

To illustrate, Principle Tools' task force explores these questions and comes up with the following insights:

- The situation—the desire to build a new plant in a developing country—came about because Principle Tools is struggling financially and wants to expand in the least costly manner possible.
- When Principle Tools has had financial problems in the past, it has often sought to expand production capacity with the goal of enhancing sales.
- Expanding capacity always carries risk (what if there's less demand for our new plant's products than expected?). In the past, several investments in new capacity made on domestic soil didn't pan out as planned, which worsened Principle Tools' financial performance.

After reviewing these facts, the task force members discuss the possibility that expanding capacity may have become a reactive solution for Principle Tools—one that can set a destructive cycle in motion. Several members suggest that perhaps management should brainstorm entirely different solutions for improving sales—such as extending product lines or coming up with new sales strategies.

For example, Frank says, "Well, let's continue exploring the ethical questions raised by the new plant. If our analysis shows that we can't go forward with the new facility without raising serious, insurmountable ethical problems, then we can suggest that the company circle back to these other ideas."

Identify conflicting loyalties

In any ethical dilemma, you face conflicts of loyalty: Should you do what's best for your company? Your boss? The environment? A colleague or employee? Your family? Society overall? Yourself? Your race or gender?

When you identify conflicting loyalties, you uncover the true ethical nuances of the situation at hand. The resulting insights can further help you make a decision.

To illustrate, Principle Tools' task force members define several conflicting loyalties inherent in the question of whether to build the new plant in the target developing country. Here are some examples of those conflicts:

- "We're obligated to increase returns to Principle Tools' shareholders. But some strategies for enhancing investor return (such as building the new plant in the proposed location) might cause hardship for the communities in which we do business (including reducing wildlife habitat, introducing pollutants, and decreasing day-to-day quality of life for residents)."
- "Constructing the new plant would create jobs for the people living in the target developing country. We would feel good about helping those people improve their standard of living. But we'd be taking jobs away from Americans. As a company that has its roots in the American Midwest, could we live with this?"
- "To ensure that the new plant operates effectively from day one of operations, we'd want to staff the facility with seasoned manufacturing managers from our home-country facilities. This would also present managers with valuable new global experience. But it would create hardships as well: Managers would have to move their families to an unfamiliar place. And the presence of many American managers in the new plant might cause resentment among local citizens seeking managerial jobs."
- "The new plant would encroach on wildlife habitat in the region and introduce new pollutants into the area's waterways and atmosphere. In our public relations communications, we claim to be a company that cares deeply about the environment."
- "While some people in the target country would be happy to get jobs at our factory, others might not like to see American consumer products flooding into their culture. People in that nation have a strong sense of cultural identity and may view our presence there as an intrusion."

How conflicts of loyalty help clarify values

Conflicts of loyalty not only reveal the ethical nuances in a dilemma; they also force you to identify the values underlying these loyalties.

For instance, Principle Tools' values seem to include doing right by shareholders, communities, employees and their families, and the environment. By identifying these conflicts of loyalty, Principle Tools' task force members can begin the hard work of determining which values mean the most to the company. Only the people of Principle Tools can answer this question. And doing so isn't easy: They'll need to engage in lengthy, intense, and probably painful debate. But the process is essential for determining how they will resolve the "gray areas" that characterize all ethical dilemmas.

Three strategies for evaluating consequences



As another key step in grappling with ethical dilemmas, you need to consider the potential consequences of a course of action you're considering. To weigh these possible consequences, apply three practices:

- Compare your intentions with the likely results of your action.
- Identify whom and what your decision could harm.
- Discuss the problem with the affected parties.

Compare intentions with likely results

Ask yourself what your true intentions are in carrying out the proposed course of action, and what results would most likely emerge if you took this action. A large gap between intent and likely results reveals further ethical "gray areas" you should discuss.

For example, Principle Tools' task force is charged with exploring the ethical ramifications of building a new plant in a developing country. The executive team will use the task force's findings to decide whether to go ahead with the move and (if so) how the construction and operation of the plant should be handled.

The task force members compare Principle Tools' intentions and the likely results of going ahead with the new plant. Here are some excerpts from the discussion:

- **Maria:** "We have multiple intentions. The primary ones seem to be to grow our business in the least costly way possible, help raise standards of living for people wherever we can, and be a steward for the environment. These intentions are reflected in our mission and value statements."
- **Joan:** "Well, that's all true. But given the realities in the country we're considering for our new plant, our cost-saving intentions might fall flat. Sure, materials, construction, and labor costs are cheaper in the target country than here at home. But there are other costs of doing business—like penalties for introducing new pollutants and fees for setting up operations—that could ultimately offset any savings in other areas we'd gain."
- **Frank:** "Yes. I'm also wondering whether our intention to help raise standards of living can really be met. Every time we set up operations in other countries, we take jobs away from Americans during a time when Americans are already struggling economically. As a U.S.-

owned company, do we have more of an obligation to protect jobs at home than to create new jobs abroad? Does *any* business owner have this same obligation?"

Identify whom and what your decision could harm

Identifying whom and what your decision could hurt can further help you consider potential ethical consequences of your proposed course of action. In performing this task, it is helpful to divide your analysis of the potential costs into three categories: money, people, and the common good. That is, consider how your action might negatively affect:

- **Your company's financial well-being:** Such as cash flow, profitability, revenues, and market capitalization
- **The individuals who'd have a stake in your decision:** Including investors, employees, customers, suppliers, and business partners
- **Larger societal concerns:** Such as the environment or the communities, societies, and cultures in which your firm does business

For example, Principle Tools' task force continues its discussion by exploring these questions. Here's a sampling of the forms of injury to money, people, and common good that the members identify:

- **Money:** Unexpected costs to Principle Tools that come with doing business in the target country. Decreased sales if the local population's demand for Principle Tools' products proves lower than expected.
- **People:** Lower quality of life for local populations in the target country because of increased noise and architectural eyesore. Insult to local citizens hoping to be hired as managers in the new plant, if the plant is staffed heavily with American managers.
- **Common good:** Damage to the environment in the target country. Erosion of the people's cultural identity.

Activity: Have you considered all the consequences?

A key step in addressing any ethical dilemma is considering the potential consequences of a course of action you're considering. Practice identifying whom and what a manager's decision could injure.

Levsen Enterprises, a startup, is desperate to hire talented new employees to get its core product out to market. Marcus, a manager at Levsen, has just interviewed Jorge, a highly promising candidate. He wants to offer the job to Jorge, but he faces a dilemma: Levsen is struggling financially, and the venture capital firm funding the company has expressed reluctance to provide a second round of investment.

Marcus feels that Levsen could benefit significantly from Jorge's skills and experience. But he fears that Jorge would turn down the offer if he knew of Levsen's troubles. So he decides to omit some information in "selling" the opportunity to Jorge. First, Marcus offers Jorge an unusually large signing bonus. He also emphasizes Levsen's commitment to employee development and raves about its inspiring mission. He says nothing about the company's financial challenges. He justifies his actions by telling himself that the best thing he can do for Levsen is to bring in talented new hires now—no matter what it takes.

Could Marcus's actions injure Levsen?

☐ Yes

Correct choice. The signing bonus that Marcus offered Jorge could put Levsen under even more financial strain than it is already experiencing. Beyond the one-time cost, the bonus could set a precedent: subsequent new hires might demand similar signing bonuses, raising the company's recruitment costs further. Such "money"-related injuries are important to think about when you're considering the consequences of your actions in resolving an ethical dilemma.

☐ No

Not the best choice. The signing bonus that Marcus offered Jorge could put Levsen under even more financial strain than it is already experiencing. Beyond the one-time cost, the bonus could set a precedent: subsequent new hires might demand similar signing bonuses, raising the company's recruitment costs further. Such "money"-related injuries are important to think about when you're considering the consequences of your actions in resolving an ethical dilemma.

Could Marcus's actions injure Jorge?

☐ Yes

Correct choice. If Levsen were to go out of business soon after Jorge started his new job there, Jorge could lose career momentum. It's important to take such "people"-related injuries into account when you're weighing the consequences of steps you're considering to resolve a dilemma.

☐ No

Not the best choice. If Levsen were to go out of business soon after Jorge started his new job there, Jorge could lose career momentum. It's important to take such "people"-related injuries into account when you're weighing the consequences of steps you're considering to resolve a dilemma.

Could Marcus's actions injure Levsen employees?

☐ Yes

Correct choice. Even if the company remains solvent, should other employees find out about the signing bonus given to Jorge, they could become resentful about not receiving a similar bonus when they joined the company. Such "people"-related injuries are important to take into account when considering what steps to take to resolve a dilemma.

☐ No

Not the best choice. Even if the company remains solvent, should other employees find out about the signing bonus given to Jorge, they could become resentful about not receiving a similar bonus when they joined the company. Such "people"-related injuries

are important to take into account when considering what steps to take to resolve a dilemma.

Could Marcus's actions injure the community where Levsen does business?

☐ Yes

Not the best choice. It's important to consider "common good"-related consequences of actions you've taken to resolve a dilemma, in addition to "money"- and "people"-related consequences. However, in this case, Marcus's actions are not likely to directly injure the community in which Levsen does business.

☐ No

Correct choice. It's important to consider "common good"-related consequences of actions you've taken to resolve a dilemma, in addition to "money"- and "people"-related consequences. However, in this case, Marcus's actions are not likely to directly injure the community in which Levsen does business.

Zeenat is the head of logistics at BlackStar Inc., a U.S.-based power-tool manufacturer. BlackStar is seeking to enhance its growth by selling its products in overseas markets. Upon fulfilling its first order from a large overseas retail customer, BlackStar discovers that bribery is widespread in the region where the customer is based. Local shipping-crate handlers are refusing to move BlackStar's crates from the docks to the customer's warehouse until they've received a bribe for moving goods through customs. The handlers are demanding more than the amount deemed acceptable by the U.S. Foreign Corrupt Practices Act.

When Zeenat learns of the situation, she decides to pay the local handlers what they want. She feels bad about helping to perpetuate bribery: She's never paid bribes before and has a strong aversion to the practice. But she tells herself, "Everyone's doing it" and "If we don't pay up, we'll lose business to other companies who *are* willing to pay bribes."

Could Zeenat's decision injure BlackStar?

☐ Yes

Correct choice. Though paying the bribes may save BlackStar from losing business to other companies, it also raises BlackStar's costs and sets a precedent for continued high payments to local handlers. Such "money"-related injuries are important to think about when you're considering the consequences of your actions in resolving an ethical dilemma.

☐ No

Not the best choice. Though paying the bribes may save BlackStar from losing business to other companies, it also raises BlackStar's costs and sets a precedent for continued high payments to local handlers. Such "money"-related injuries are important to think about when you're considering the consequences of your actions in resolving an ethical dilemma.

Could Zeenat's decision injure Zeenat?

☐ Yes

Correct choice. Because Zeenat is so strongly opposed to paying bribes, helping to perpetuate the practice could erode her sense of self-respect and morality—a painful and stressful emotional experience for anyone. Such "people"-related injuries are important to take into account when you're weighing the consequences of the steps you'll take to resolve a dilemma.

☐ No

Not the best choice. Because Zeenat is so strongly opposed to paying bribes, helping to perpetuate the practice could erode her sense of self-respect and morality—a painful and stressful emotional experience for anyone. Such "people"-related injuries are important to take into account when you're weighing the consequences of the steps you'll take to resolve a dilemma.

Could Zeenat's decision injure BlackStar employees?

☐ Yes

Not the best choice. Though it's important to consider how a decision could hurt various individuals ("people"-related injuries), it's not likely that Zeenat's decision to pay the local handlers their bribes would directly injure any of BlackStar's other employees.

☐ No

Correct choice. Though it's important to consider how a decision could hurt various individuals ("people"-related injuries), it's not likely that Zeenat's decision to pay the local handlers their bribes would directly injure any of BlackStar's other employees.

Could Zeenat's decision injure BlackStar's distribution channels?

☐ Yes

Correct choice. Bribery disrupts distribution channels when goods languish on docks until local handlers are paid off. Such injuries to the "common good" (which includes organizations as well as the systems on which economies, communities, and societies depend) are important to consider when you're assessing the consequences of an ethical decision you've made.

☐ No

Not the best choice. Bribery disrupts distribution channels when goods languish on docks until local handlers are paid off. Such injuries to the "common good" (which includes organizations as well as the systems on which economies, communities, and societies

depend) are important to consider when you're assessing the consequences of an ethical decision you've made.

Could Zeenat's decision injure the economy overall?

☐ Yes

Correct choice. Bribery undermines market efficiency and predictability, which in turn makes an economy unsound. Businesses lose the incentive to compete on quality and cost when purchasing decisions are based on who pays what under the table. Such injuries to the "common good" (which includes belief systems on which economies depend) are important to consider when you're assessing the consequences of an ethical decision you've made.

☐ No

Not the best choice. Bribery undermines market efficiency and predictability, which in turn makes an economy unsound. Businesses lose the incentive to compete on quality and cost when purchasing decisions are based on who pays what under the table. Such injuries to the "common good" (which includes belief systems on which economies depend) are important to consider when you're assessing the consequences of an ethical decision you've made.

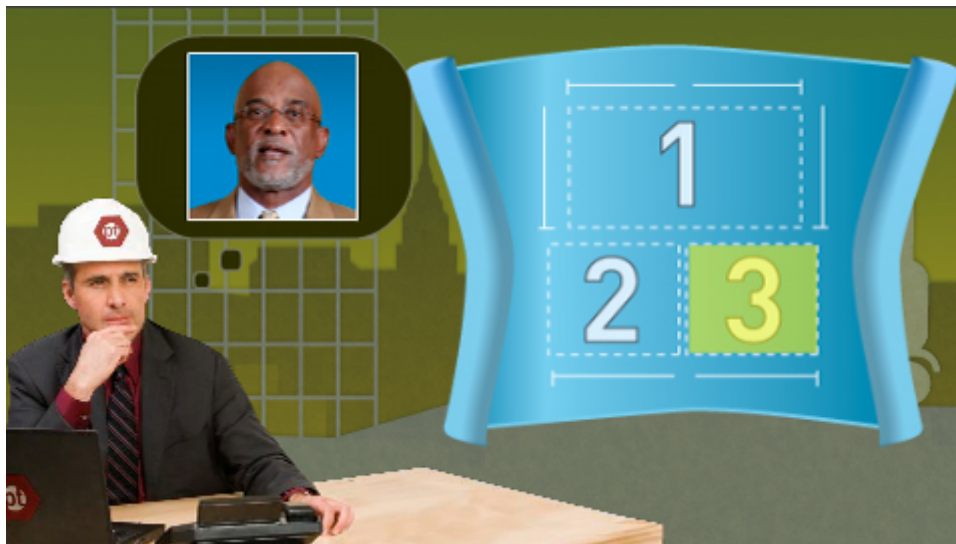
Discuss the problem with affected parties

Here's another effective way of exploring the potential consequences of resolving an ethical dilemma through a specific course of action: If at all possible, discuss the problem with the parties who would be affected—positively *and* negatively—by the action you're considering. Invite them to present their concerns, questions, and perspectives on the dilemma and to shed additional light on how your proposed action would affect them.

For example, Principle Tools' task force members decide to try scheduling meetings with as many of the following parties as possible, each of whom would be affected by the construction and operation of the new plant:

- Unionized employees working at Principle Tools
- Environmental watchdog groups
- Official and unofficial community leaders in the developing country where the new plant might be built
- Citizens in the target country who would be applying for jobs at the plant
- Consumers in the target country who would represent the most likely buyers of Principle Tools' products
- Principle Tools managers who would be transferred overseas to head up operations at the new plant

Four ways to test your decision



As another step in the process of resolving an ethical dilemma, test the decision you're considering taking. You can do this by asking four questions:

- "Will our decision be as valid in the long term as it seems now?"
- "Could we disclose our decision without qualms to respected parties?"
- "Could the intent behind our action be misperceived?"
- "Under what conditions would we consider it morally acceptable to make an exception to our corporate values and ethics?"

Test long-term validity

As time passes, new circumstances can arise that affect a company's value system and how managers make decisions about workplace ethics. A course of action you're considering today that seems perfectly ethical now may pose ethical problems later if circumstances change.

A decision that remains ethically sound over time is likely better than one that isn't. To test the long-term ethical soundness of the decision you're considering, ask, "Will our decision be as valid in the future as it seems now?"

For instance, the task force at Principle Tools is exploring the ethical ramifications of setting up a new plant in a developing country to expand cost-effectively. As part of the exploration process, members have been assessing the pros and cons of staffing the new plant with expatriate managers from Principle Tools' U.S. operations.

Here are some excerpts from their discussion to test this decision's long-term validity:

- **Maria:** "Staffing the new plant with American expat managers could help us ensure that the plant runs efficiently (and thus cost-effectively) from day one. It would also give our managers valuable overseas experience."
- **Viktor:** "Yes, but as we discussed earlier, it could backfire on us if local citizens end up resenting not having the chance to apply for managerial jobs themselves."
- **Joan:** "Some resentment on the part of a few locals aspiring to managerial work seems fairly innocuous to me."
- **Samir:** "—unless the political scene there changes. If a new regime came in and lobbied heavily for higher-level employment opportunities for locals, we'd have to be able to

explain—to ourselves and local leaders—why we employ only expat managers at the plant when we say we want to increase standards of living for people in other countries.”

- **Frank:** “We’d be facing a trade-off between trying to ensure efficiency and develop our managers—and trying to create better job opportunities for people elsewhere in the world.”

Test your "qualm meter"

Another way to test the course of action you’re considering is to ask, "Could we disclose our decision to respected parties without any qualms?"

These respected parties might include your company’s CEO, the board of directors, your family, and society as a whole (for example, through publication of your decision in a respected newspaper).

If you are uncomfortable at the thought of disclosing your decision to any of these parties, that’s a signal that your potential course of action may present ethical problems.

For instance, Principle Tools’ task force imagines the general public reading an article in a major daily newspaper about the company’s policy of putting only Americans in managerial positions in its overseas manufacturing plants.

Members feel uneasy about the likelihood that some people would object to this policy on the grounds that it closes the door of professional advancement to locals.

So they begin talking about how Principle Tools might address the ethical concerns the policy raises. Ideas include reserving some managerial positions in the plant for local applicants and creating a managerial track for locals that includes providing training to ensure that they’re qualified for management roles.

Test perceptions of your intent

Another way to test your possible course of action is to ask, "Could the intent behind our action be misperceived?" Actions often have symbolic meanings that can be readily understood by others—or misperceived entirely. How that symbolic meaning is *actually* perceived (or misperceived) is just as important as how you *intend* it to be perceived.

For example, Principle Tools' task force has been discussing the fact that building a new plant in the target developing country will destroy wildlife habitat there. Members talk about the possibility of Principle Tools' buying a large swath of acreage near the proposed construction site and designating it as conservation land. Principle Tools would then pay for all associated costs (such as staffing the conservation area with rangers and other wildlife specialists).

Here's an excerpt from the task force members' conversation:

- **Viktor:** "This would strongly signal our commitment to conservation and community relations."
- **Joan:** "Yes, but what if our intent is misunderstood? Antidevelopment watchdog groups might see it as just a tactic for staving off protests."
- **Maria:** "And local leaders might see the move as a cheap effort to pay off the people living in that area so they won't sabotage the plant."

With these possible misperceptions of Principle Tools' intent in mind, task force members discuss ways to ensure that people see the gift of conservation land for what it is: a genuine desire to do right by the environment and the local community where the plant would be built.

Ideas include talking with watchdog-group members and local leaders to describe the proposed gift and gauge their responses. If it seems that Principle Tools' intent might be misperceived, perhaps the company could find ways to reassure audiences about the genuineness of its intent—such as pointing to its long history of contributions to environmental efforts.

Test your openness to exceptions

Another way to test the soundness of a course of action you're considering is to ask, "Under what conditions would we consider it morally acceptable to make an exception to our corporate values and ethics?"

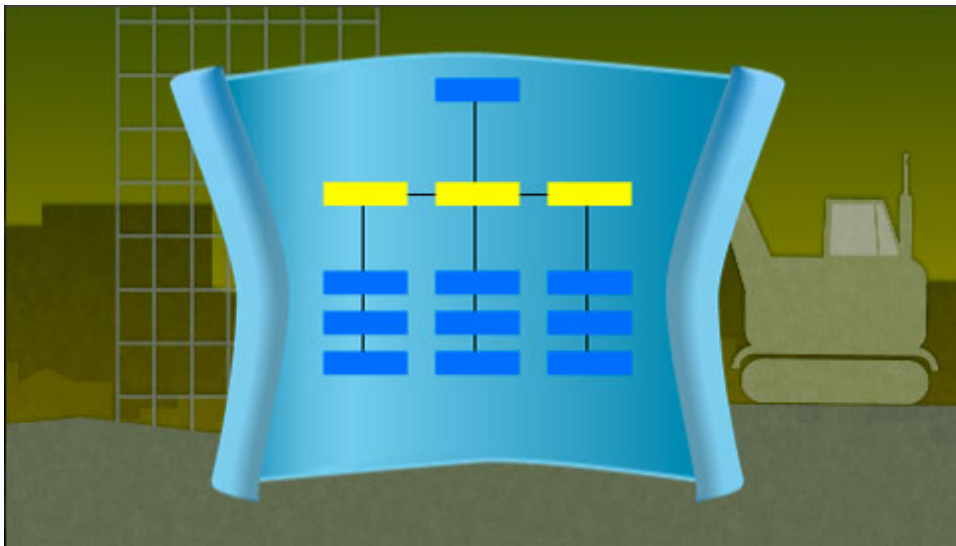
If there are a lot of conditions under which you'd "change the rules of the game" in this way, you might not have as firm a commitment to ethical behavior as you think. And you might want to consider ways to alter your proposed course of action to eradicate this wishy-washiness.

To illustrate, Principle Tools' task force members discuss the conditions under which they might rethink certain long-held company values. Here are some excerpts from their conversation:

- **Maria:** "If the economy contracts sharply, we may not be able to make the costly moves we're considering related to the overseas plant. In a recession, could we really afford to buy and maintain land for conservation in the target country? And would we want to risk introducing operational inefficiency by opening up some managerial jobs to locals who'd need time to learn the job?"
- **Joan:** "You've got a point there. But not making those moves would prove that we're not taking those values—conservation, improving standards of living overseas—seriously."
- **Samir:** "I know that. So what could we do to stay true to our values?"
- **Frank:** "Well, we could buy a smaller piece of land for conservation, or see if local leaders would be willing to fund maintenance and staffing of the preserve."
- **Viktor:** "And when it comes to the question of whether to open up some managerial jobs to locals, we could reduce the risk of introducing operational inefficiency. We could match locally hired managers with mentors from our own company. The mentors would be there only on short-term assignment, and could help get the locally hired managers up to speed quickly."

As Principle Tools' story shows, making ethical decisions isn't easy. It takes a willingness to apply a disciplined process of gathering and analyzing the facts, considering the consequences of your proposed course of action, and testing your decision's soundness. As Principle Tools' task force members discovered, working together through this process is vital to generating the insights needed to arrive at the best possible decision.

Ethics: a core managerial responsibility



Who's responsible for ensuring ethical behavior in an organization? This task used to fall mainly to a company's HR department, general counsel's office, and senior management.

Not anymore. Owing to the major misdeeds and lapses in good judgment that have rocked the business world over the years, business ethics is now seen as a core responsibility of frontline managers.

In fact, a required course in the Harvard Business School's MBA program presents ethics as one of three responsibilities of all managers. Specifically, a manager's:

- **Ethical responsibilities** have to do with basic principles and standards of conduct
- **Economic responsibilities** relate to resource allocation and wealth creation
- **Legal responsibilities** flow from formal laws and regulations

By embracing ethical responsibilities in addition to your economic and legal responsibilities as a manager, you help your company reap the benefits that come with being ethical—including higher workforce morale, greater customer satisfaction, and stronger financial performance.

Three intertwined responsibilities

“ Ethics represents the very bedrock of business. ”
—Norman Augustine

Your ethical, economic, and legal responsibilities as a manager are intertwined—not mutually exclusive. That's because:

- Many economic and ethical responsibilities have been written into law.
- Responsibilities to both create wealth and obey the law rest ultimately on an ethical foundation.
- As society's ethical standards evolve, the law itself often changes in response.

So, as you think about how to fulfill your ethical responsibilities, always keep in mind how these responsibilities connect with, overlap, and are affected by your economic and legal responsibilities.

Leadership Insight: Speak the truth

Early on in my career, I participated on a project team that was working on a very, very important business issue. The leader of that team was not being candid with some of the folks on the team.

That lack of candor, that lack of transparency, that lack of directly confronting the issues and the opportunities was really costing that team and causing many, many problems.

One day in a very, very tense meeting, this leader was confronted by someone on the team about a piece of information that was not disclosed. What that leader did was to lie about that piece of information and give this person an incorrect answer.

From there it only went downhill, and I learned a very, very important lesson about leadership. When someone confronts you on a piece of information as a leader, you have no alternative but to be truthful. You have to convey that information so that it is heard.

Any attempt to conceal information or to lie is a direct assault on your integrity as a leader; and if you lose your integrity as a leader, you really have nothing else at that moment.

What I watched that day was a leader losing integrity. And that leader had to be replaced. That team had to be rebuilt. But, that was a lesson that I will never, ever forget — the importance of integrity, the importance of candor, the importance of speaking the truth, and the importance of direct communication to those folks who you want to create followership with.

Leaders who lie to their team lose their integrity, and sometimes their jobs.

Larry Kaye

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As Senior Vice President of Leadership & Organization Development for Fidelity Human Resources, Larry Kaye leads the Talent Management Center of Excellence. Larry is responsible for the design, execution, and delivery of leadership development, talent, and succession planning and performance management across Fidelity Investments.

In his earlier career at Fidelity, he was Senior Vice President of Client Readiness at Fidelity Human Resource Services (FHRS), preparing major corporate clients for conversion to Fidelity's suite of HR outsourcing systems and services.

Larry also previously worked for Cap-Gemini Ernst & Young, designing and delivering organizational effectiveness programs for global clients.

He has worked as an independent consultant with clients including Johnson & Johnson, American Airlines, and American Express.

Larry holds a Bachelor of Arts and Master of Arts in political science and a doctorate in sociology, all from Brandeis University.

Why compliance isn't enough

As a manager seeking to encourage ethical behavior in your organization, you may be tempted to simply refer yourself and others (employees, suppliers, peers) to laws governing your company's operations or to your organization's legal and ethical compliance program. By obeying laws and compliance codes, everyone can be sure they're acting ethically, right?

Not necessarily. While compliance programs spelling out laws, codes of conduct, and consequences for wrongdoing are important, they also have limitations. For example:

- **Conduct that's lawful may not be ethical.** In some countries, it's legally permissible to sell hazardous products without appropriate warnings, to sell goods from suppliers who operate sweatshops, and to offer bribes while doing business. But these activities present ethical problems.
- **Compliance programs aren't inspiring.** Such programs tend to overemphasize the threat of detection and punishment. Employees view them as an unwelcome constraint imposed by external authorities. They may rebel against the programs rather than striving to demonstrate exemplary behavior.
- **Compliance programs emphasize the importance of obeying laws.** But being truly ethical requires more than simply complying with laws: We must also understand the ethical implications of our decisions and actions.

So if you can't count on compliance to help ensure ethical behavior in your organization, what *can* you count on? Rely on your power as a manager to foster a climate that encourages exemplary ethical behavior on everyone's part—your own, your employees, your suppliers and customers, and your peers.

Foster a climate of ethical excellence

How can you help foster a climate of ethical excellence—one in which everyone is inspired to do more than just obey the law or comply with your company's code of conduct? Experts in workplace ethics offer several suggestions, including:

- Examining your reward systems
- Communicating the importance of ethics
- Leading by example
- Encouraging candor

Examine your reward systems

Some rewards and incentives inadvertently encourage unethical behavior. For instance:

One automotive-maintenance company rewarded mechanics only for short-term revenue generation. This tempted mechanics to tell customers their cars needed unnecessary work.

To avoid this situation:

- Ask yourself, "In what ways are our rewards and incentives unknowingly encouraging employees to make unethical judgment calls?"
- Balance aggressive productivity goals with measures such as customer satisfaction levels. You'll encourage employees to consider the bigger and longer-term picture when making decisions.
- Publicly praise people who make a courageous ethical decision: Their example will serve as a beacon to others.

Communicate about ethics



By encouraging frequent dialogue about ethics, you can help make ethics a priority for your organization. For example:

- Discuss ethical dilemmas with your team and ask probing questions about such dilemmas and how to resolve them. Team members will pay more attention to ethics when they see how important it is to you.
- Send a strong message that *how* business objectives are met is just as important as *what* objectives are met. And ensure that the means you use to produce results are ethically sound.
- Raise awareness among your suppliers and customers by giving them copies of your company's ethical standards. Tell them you're holding them to the same standards.

Lead by example

“Divorced from ethics, leadership is reduced to management and politics to mere technique.”
—James MacGregor Burns

By demonstrating ethical behavior yourself, you play a powerful role in fostering a climate of ethical excellence. Here are some recommendations for leading by example:

- Be willing to take action consistently in support of the values you espouse. Assume responsibility for making tough calls when ethical obligations conflict. And regularly scrutinize your own decisions. Your consistency will help combat any cynicism about values on the part of employees.
- Demonstrate honesty, transparency, and a genuine concern for all your company's constituencies—investors, customers, employees, suppliers, the community—rather than making maximizing shareholder wealth the primary goal.

Encourage candor in your organization

In organizations characterized by candor, people more readily discuss the complexities of professional ethics and embrace the notion that everyone is responsible for ethical behavior. To encourage trust

and openness in your team:

- **Routinely tell the truth.** You'll develop a reputation for straight talk, and others will return the favor.
- **Make it safe for people to tell you the truth.** Other employees often have access to information that you don't. Let them know you want them to tell you unpalatable truths about what they see happening in the workplace or with suppliers or customers.
- **Hire people for candor.** When interviewing job candidates, look for people who helped to create a culture of candor in their previous organization. They'll be valuable assets in your own team.
- **Share information.** Avoid the temptation to keep information confidential if it *might* be strategic or private. Instead, share information unless there's a clear reason *not* to.
- **Diversify your information sources.** Communicate regularly with different groups of employees, customers, and competitors. You'll develop a nuanced and multifaceted understanding of business or industry developments that could present ethical challenges for your organization.

Identify the forces behind managerial misconduct



Most misconduct in the business world is carried out by normally honest, intelligent, and compassionate people. Why? Human beings' behavior is determined less by individuals' inherent nature than by two forces:

- **The situation.** For example, an organization rewards managers for producing great results—regardless of how they do it. Or a business lacks a set of control mechanisms and sanctions for those who violate an ethical code. In these situations, managers can justify behaving unethically "just this once"—and find themselves caught in a cycle of wrongdoing.
- **Group dynamics.** For instance, managers feel pressure to conform to the group. They can conform by following the group's tacitly agreed upon ways of doing things—such as cutting corners or ignoring their behavior's impact on others. Individuals may find it easy to rationalize their own unethical behavior because "everybody else is doing it."

Four pervasive beliefs

“ The greatest minds are capable of the greatest vices as well as of the greatest virtues. ”

—René Descartes

In addition, otherwise responsible and loyal managers who behave unethically usually do so based on four basic beliefs commonly shared across society:

- "What I'm doing isn't really illegal or immoral."
- "I'm acting in my company's best interests."
- "My actions will never be found out or (if they are) will never be made public."
- "Since my actions are helping my company, management will condone my behavior and protect me."

Given the power of situational group forces combined with commonly held beliefs, any manager can be drawn to the dark side more easily than we may like to think.

Belief 1: "It's not really wrong."

Some managers operating in ambiguous, ill-defined situations will conclude that whatever hasn't been labeled specifically wrong must be acceptable—especially if they're rewarded for certain acts.

For example, managers at a brokerage house, pressured to control cash, bilked the company's banks by drawing against uncollected funds, which they then covered after enjoying interest-free use of the money. The individual overdrafts involved no large sums. But cumulatively, the savings on interest that the brokerage would otherwise have owed to the banks was immense.

The brokerage hadn't specifically proscribed overdrafts or spelled out their illegality, so managers decided that this tactic wasn't wrong. And all the while, their bosses assured them that what they were doing was sharp—not shady. Those who played the game most astutely were even congratulated for their skill.

Belief 2: "I'm doing what's best for my company."

When managers believe that unethical conduct is in their company's best interests, they're more likely to engage in it.

For instance, the chairman of a large bank declared an ambitious goal: "Within five years, our lending will match that of any other bank." To reach this goal, loan officers aggressively pursued borrowers—including buying loans that originally had been made by smaller banks with less money.

But many of the smaller banks had made those loans to poorly capitalized oil producers, exposing the large bank to credit risk should oil prices fall. Despite the danger signals, no one called a halt to the questionable lending: Everyone believed that stopping the lending would only slow down the bank's effort to reach its goal.

Leadership Insight: Should you lie to save your company?

A big question that managers or CEOs have to face is how far they would go to protect or save their company. And a big question is, whether you'll lie to save your company.

There's a CEO of a company that remanufactures jet engines, who I spoke to and wrote about. And he is going through the annual audit for his company and he's about to sign the document that says, "I know of no circumstances that will affect the financial condition of my company."

He's about to sign that when he gets a phone call, and he learns that several planes have been grounded at airports as a result of what might be problems with parts he made for the engines in those airplanes that had been grounded. He doesn't know if they are or not, but they might be. And he's agonizing: "Do I sign these documents?"

Obviously, if it's us, it could have a major effect on the financial condition of the company. He gets some more calls. More planes have been grounded; all told, about 11 planes have been grounded—that may or may not be grounded as a result of a part that he made for these engines.

So, he has to decide what to do: "Do I sign these documents?" And he consults a first lawyer, trying to find some legal advice on what to do. That lawyer says, "By no means should you sign this. If it turns out it's your fault and you sign these documents and you haven't disclosed it, you've got a problem on your hands."

So he does what every panicked CEO might do and he consults another lawyer. And that lawyer says, "No, you don't know if it's you. You have no responsibility to do that. Your responsibility is to protect the company. And if you say that something's wrong or may be wrong, the banks may panic. They may pull their loans. People may lose their jobs."

So, there's a real dilemma he's facing: "Do I sign the papers? Do I not sign the papers?" Now, as a consumer I think there are some products that the CEO has a moral responsibility not to take any chances with, and as someone getting on an airplane, if I'm getting on that airplane and the CEO has any inkling that there may be something wrong with a part in that engine, I want him to say, "Don't get on that airplane." By not disclosing it he runs that risk.

He's face with this decision, and he decides ultimately, that he's going to sign the documents that say he doesn't know anything. So, essentially, he is basically lying to save his company. It turns out that the discovery is that it's inconclusive; that they can't determine whose fault it was. And within a year he sells his company out of the guilt that he feels over having signed the documents.

When facing a large-scale ethical dilemma, lying is not in your organization's or personal best interest.

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He is the author or coauthor of more than a dozen books on ethics, business, and writing, including "The Right Thing: Conscience, Profit and Personal Responsibility in Today's Business" and "The Good, the Bad, and Your Business: Choosing Right When Ethical Dilemmas Pull You Apart."

Seglin was formerly an executive editor at Inc. magazine and has written for publications including the New York Times, Fortune, Sloan

Management Review, and Harvard Management Update.

He is an ethics fellow at the Poynter Institute for Media Studies and has served as a resident fellow at the Center for the Study of Values in Public Life at Harvard.

Belief 3: "I won't get caught."

Much proscribed behavior escapes detection. So perhaps it's not surprising that many managers who know they're doing something wrong believe they'll probably get away with it. Feeling safe from detection increases the likelihood of unethical behavior.

For example, a small group of executives and corporate medical directors at an asbestos manufacturer suppressed research showing that the company's product caused debilitating and fatal lung diseases in its employees. Members of this group also concealed the information from affected employees. Believing that what they were doing would never be found out, they rationalized their conduct.

Belief 4: "My behavior will be condoned"

“On the whole human beings want to be good, but not too good, and not quite all the time.”
—George Orwell

Managers may believe that executives who view questionable actions as good for the company will condone the behavior—and will protect the managers responsible. This belief further increases the chances that a manager will decide to engage in unethical behavior.

For instance, the handful of executives and medical directors at the asbestos manufacturer that suppressed information about the harmful effects of its product were shielded from repercussions by senior management. The executives and directors were allowed to keep the facts covered up—and keep their jobs—for decades.

Establish organizational controls

Our behavior is more affected by our situation than by our inherent personal characteristics. As a manager, supporting organizational systems that encourage ethical behavior can help all employees make the right choices when faced with an ethical dilemma.

Here are some examples of such systems:

- **Guidelines defining proscribed behaviors.** Provide clear and specific guidelines about what behaviors will be condemned. If people demonstrate these behaviors, announce the misconduct and explain how the individuals involved were punished.
- **Control mechanisms.** Establish a relationship with an independent auditing agency that reports to outside directors. The agency can provide a review of precisely how managers' successes were achieved. Though such reviews may be uncomfortable, the discomfort is inexpensive insurance and reminds all employees that the company's *real* interests are served by honest conduct in the first place.

- **Detection systems.** Make wrongdoing more likely to be detected; for example, by scheduling audits irregularly, making at least half of them unannounced, and setting up some checkups soon after others. When employees know they face a greater risk of detection, they're less likely to engage in misconduct.
- **Open climate.** Create an unimpeded flow of information and an organizational climate in which no one fears the consequences of speaking up about questionable behavior. Transparency not only deters groupthink (the pressure to confirm to group norms); it also keeps organizational leaders honest with others and—even more important—with themselves.

Key Idea: Resist temptation to behave unethically

In addition to helping establish organizational systems that discourage unethical behavior, you can also take steps to retain your "ethical compass" in the face of temptation to engage in misconduct.

The following guidelines can help:

- **Trust the power of an ethical compass.** Believe that retaining an ethical compass—not cutting corners or committing other questionable behavior—is ultimately the best way to protect your organization's interests.
- **State your beliefs unwaveringly.** Ask yourself, "What is our company trying to achieve?" "What are our goals—in the broad sense of doing good in the world?" Then state your beliefs frequently and firmly. Tie rewards and sanctions to realization of your company's goals.
- **Practice self-honesty.** When everything's going swimmingly, it's easy to hold yourself and others to high standards—there is little cost in doing so. But when circumstances tempt you to drop your standards, resist any urge to fool yourself or others by rationalizing "It's okay to take this questionable action just this once." Ask, "Am I proceeding in ways I approve of? If not, what changes must I make?"
- **"Inoculate" yourself.** Regularly look for examples of people who have modeled ethical behavior—and consider the benefits that accrued to their organizations, themselves, and other constituents. This exposure can serve as a "positive inoculation," inspiring you to demonstrate similar behavior.

Also look for instances where people have acted unethically, examining the forces that led to the behavior and the negative consequences suffered by various constituents. These "antivirals" can further discourage you from engaging in misconduct.

What can you do to retain your "ethical compass" in the face of temptation?

Key Idea: Understand how ethics differ

When companies do business across borders, ethical decision making becomes more complex than ever. That's because notions of ethical and unethical behavior are powerfully rooted in a

people's history and culture.

For example, in a nation founded on traditions of collectivism and obedience to authority figures, many people might view successful entrepreneurs as having selfish and unethical motives. In a country founded on traditions of individual achievement and freedom, successful businesspeople are seen as embodying the culture's deepest and most enduring values.

Owing to historical and cultural forces, what's considered acceptable business practice can also differ dramatically across cultures. For example:

- In Japan, exchanging gifts is considered respectful and correct between businesspeople. In the other countries, lavish gift giving can be viewed as bribery.
- Very low wages may be considered unethical in wealthy developed countries. But developing nations may welcome low wages if they encourage investment and improve living standards.
- Managers in some Asian countries may have a higher tolerance for bribery than those in other parts of the world. But they consider taking credit for a subordinate's achievement a nearly unpardonable sin.

Such differences—in cultural traditions and in level of development can make it difficult for managers to determine how to behave when doing internationally.

How do ethical standards differ cross-culturally?

Resist two extremes

Managers doing business internationally often adopt one of two extreme approaches to resolving ethical dilemmas:

Two Extreme Approaches to Global Ethics

Approach	What it says	Why it's understandable	Why it's problematic
<i>Cutlural relativism</i>	Always do as the locals do. For example, adopt local gift-giving practices (e.g., paying bribes) to	<i>Not</i> doing as the locals do can mean losing out to other companies that adopt local practices.	Some countries condone certain practices (such as child labor) that violate basic human rights.

	set up business operations.		
<i>Ethical imperialism</i>	Always do elsewhere exactly as you do in your home country.	It seems sensible and honorable, and it provides a clearer guide to decision making.	It doesn't respect different cultural traditions.

Because cultural relativism and ethical imperialism pose important problems, managers must strike a balance between these two extremes. They can do so by adopting three guiding principles:

- Honor core human values...
- While also respecting local traditions...
- And considering the context of the ethical dilemma at hand.

Honor core human values

A good guiding principle for balancing cultural relativism with ethical imperialism is to honor the following core human values—which define minimum ethical standards for all companies:

Three Core Human Values

Core human value	Underlying belief	Examples of how to honor
Respect for human dignity	People have intrinsic worth and are not simply tools to be used.	Produce safe products and services in a safe workplace.
Respect for basic rights	People have a right to health, education, safety, and an adequate standard of living.	Avoid employing children and thereby depriving them of educational opportunities.

Good citizenship	Institutions on which communities depend should be supported and improved.	Work with host governments to protect the environment and strengthen educational institutions.
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Activity: Which core human value has been violated?

Understanding core human values is key to making cross-border ethical choices.

A pharmaceutical company puts a new drug on the market knowing that it has serious side-effects that may cause death.

- ☐ Respect for human dignity

Correct choice. Deliberately selling dangerous products reflects an underlying belief that people have no intrinsic worth and are simply tools to be used, which indicates lack of respect for human dignity.

- ☐ Respect for basic rights

Not the best choice. Deliberately selling dangerous products is more of a violation of respect for human dignity, because it reflects an underlying belief that people have no intrinsic worth and are simply tools to be used.

- ☐ Good citizenship

Not the best choice. Deliberately selling dangerous products is more of a violation of respect for human dignity, because it reflects an underlying belief that people have no intrinsic worth and are simply tools to be used.

A textile firm employs children under the age of 14.

- ☐ Respect for human dignity

Not the best choice. Employing children is more a violation of basic rights, because it prevents children from receiving an education—a basic human right.

- ☐ Respect for basic rights

Correct choice. Employing children prevents them from receiving an education, which is a basic right.

- ☐ Good citizenship

Not the best choice. Employing children is more a violation of basic rights, because it prevents children from receiving an education—a basic human right.

A manufacturing firm fails to correct unsafe processes on its assembly line after several workers suffer injuries.

- ☐ Respect for human dignity

Correct choice. Creating an unsafe workplace reflects an underlying belief that people have no intrinsic worth and are simply tools to be used, which indicates lack of respect for human dignity.

- ☐ Respect for basic rights

Not the best choice. Creating an unsafe workplace is more of a violation of respect for human dignity, because it reflects an underlying belief that people have no intrinsic worth and are simply tools to be used.

- ☐ Good citizenship

Not the best choice. Creating an unsafe workplace is more of a violation of respect for human dignity, because it reflects an underlying belief that people have no intrinsic worth and are simply tools to be used.

A municipality's finance committee decides not to fund up-to-date textbooks and other teaching supplies for the coming year.

- ☐ Respect for human dignity

Not the best choice. Actions that weaken key institutions on which communities depend—such as schools—are more of a violation of good citizenship.

- ☐ Respect for basic rights

Not the best choice. Actions that weaken key institutions on which communities depend—such as schools—are more of a violation of good citizenship.

- ☐ Good citizenship

Correct choice. Actions that weaken key institutions on which communities depend—such as schools—violate good citizenship.

A retailer pays wages far below what workers need to achieve an adequate standard of living.

- ☐ Respect for human dignity

Not the best choice. Paying wages so low that people can't achieve an adequate standard of living is more of a violation of respect for basic rights.

- ☐ Respect for basic rights

Correct choice. Achieving an adequate standard of living is a basic right. To avoid violating that right, employers must pay adequate wages.

☐ Good citizenship

Not the best choice. Paying wages so low that people can't achieve an adequate standard of living is more of a violation of respect for basic rights.

To lower its costs, a multinational builds a new facility in a developing country, on the site of the native population's ancient burial grounds.

☐ Respect for human dignity

Not the best choice. This is actually more of a violation of good citizenship, because it weakens key institutions—such as cultural legacies—on which communities depend.

☐ Respect for basic rights

Not the best choice. This is actually more of a violation of good citizenship, because it weakens key institutions—such as cultural legacies—on which communities depend.

☐ Good citizenship

Correct choice. Actions that weaken key institutions on which communities depend—such as cultural legacies—violate good citizenship.

Respect local tradition

In addition to honoring core human values (respect for human dignity, respect for basic rights, and good citizenship), another guiding principle for balancing cultural relativism with ethical imperialism is respect for local traditions.

For example, in Japan, people doing business together often exchange expensive gifts, in keeping with long-standing tradition. When Western businesspeople first started doing business in Japan, many thought that accepting lavish gifts was akin to accepting a bribe.

But as Western companies have become more familiar with Japanese traditions, most have come to tolerate the practice and to set different limits on gift giving in Japan than they do elsewhere. Indeed, *not* accepting or giving gifts when doing business with Japanese could be seen as rude in that culture.

However, in respecting local traditions, avoid embracing any traditions that conflict with the laws that apply to your company at home. Companies should not violate their own country's laws in an effort to fit in with the norms of those they're doing business with internationally.

Consider the context

“ When we cross our nation's boundaries, moral clarity often blurs. ”

—Thomas Donaldson

Honoring core human values and respecting local traditions can help you balance cultural relativism with ethical imperialism when you face a dilemma while doing business internationally. But you also must consider the context.

Some practices that are unethical in one context may be acceptable in another. By understanding the context, you can more easily select a course of action. Here are two examples:

- **Use of banned chemicals.** The chemical EDB, a soil fungicide, is banned for use in the United States. In hot climates, however, it quickly becomes harmless through exposure to intense solar radiation and high soil temperatures. As long as the chemical is monitored, companies may be able to use EDB ethically in certain parts of the world.
- **Acceptance of pollutants.** In places where people are starving, using fertilizer and other materials that increase pollution may be acceptable because it produces the larger crop yields needed to feed the population.

Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

Scenario: Part 1

Part 1

Susan manages the healthcare-industry group at PerformIT, which develops performance-management software for organizations. The group recently began a lucrative project for HealthCorp, a major medical center headquartered four hours away by plane.

One of Susan's reports, Gary, has recently been missing deadlines and has backed out of several important trips to HealthCorp at the last minute, owing to some new domestic responsibilities. These include handling daycare and school transportation for his three children and home care for his ill mother during the four days a week that his wife works at a new, one-year job assignment in a distant city.

The project schedules are in jeopardy; HealthCorp is furious. Gary has apologized, explaining, "It's tough holding it all together."

Susan's flummoxed. She'd hate to fire Gary, who's usually a high performer and needs the job. Plus, PerformIT claims to care about "work-life balance." But HealthCorp wants him removed

from the project. “How do I keep everyone happy?” she asks herself. “Should I reassign some of Gary’s responsibilities to other team members? Redeploy him? Ask HealthCorp for an extension? Where do I *start* resolving this situation?”

What steps should Susan take to begin resolving the ethical dilemma she's facing?

- Set aside her feelings about Gary’s plight and do what’s safest for her company: immediately move him off the HealthCorp account so PerformIT doesn’t lose the contract.

Not the best choice.

Though Susan has a responsibility to protect PerformIT’s interests and is facing time pressure to resolve the situation, she shouldn’t rush to implement a course of action without gathering and analyzing the facts—the first step toward resolving an ethical dilemma.

During this step, managers ask four questions: (1) How would the courses of action I’m considering affect me? (2) How would they affect others involved in the situation? (3) How did this situation come about, and how have similar situations been handled previously in our company? (4) What conflicts of loyalty am I struggling with?

- Analyze how the solutions she’s considering would affect each stakeholder involved in the situation, and trace the events and decisions that led up to the current situation.

Good choice.

Analyzing how the solutions she’s considering would affect all stakeholders and tracing what led up to the situation are important aspects of “gathering and analyzing the facts”—the first step toward addressing an ethical dilemma.

For example, reassigning some of Gary’s responsibilities to other team members might give Susan more confidence that the work will be done on time. And it might take some pressure off Gary. But it could overload team members and trigger resentment at perceived “special treatment” of parents by the company.

In tracing what led up to the situation, Susan could examine workforce-scheduling and task-assignment policies she has used in the past that may have contributed to the problem. And she could determine whether reassigning work to seemingly less stressed employees has proved effective in the past.

- Articulate the conflicts of loyalty she’s facing as she tries to decide how to resolve the situation without hurting any of the individuals and organizations involved.

Good choice.

By articulating the conflicts of loyalty she's facing, Susan could gain additional insights that ultimately help her decide what to do. In this situation, she feels loyalty to numerous stakeholders—her company, Gary, HealthCorp, Gary's colleagues, and herself, in terms of her personal values.

Identifying these conflicting loyalties will prompt her to articulate the personal and organizational values underlying those loyalties, which can further illuminate the ethical nuances of the situation. For example, asking HealthCorp for an extension might inject enough time into the project schedule for Gary to begin meeting his deadlines more easily. But it could also annoy HealthCorp enough that this client would decide not to do business with PerformIT in the future. That could jeopardize the company's long-term revenues.

Scenario: Part 2

Part 2

Susan gathers and analyzes the facts related to each course of action she's considering. She thinks about how each solution would affect the various stakeholders involved. She traces the events that led to the situation with Gary. And she identifies the conflicts of loyalty that the situation has presented.

She decides that the best course of action would be to transfer any responsibilities, including travel, that Gary is currently having trouble handling. She can easily see how she might match particular tasks to team members with the required skills.

This solution would have many advantages, Susan tells herself: Specifically, Gary can focus on tasks that are more manageable under his current circumstances, and thus deliver his usual high-quality work. The danger of additional delays will decrease, placating HealthCorp and securing PerformIT's credibility. And PerformIT will live up to its espoused value of helping employees with work-life balance.

Susan then meets with Tomas, her former mentor, to discuss the situation and get his insights. Tomas says, "Sounds like your solution has potential. But I don't think you've fully considered the consequences."

In what ways might Susan more fully consider the consequences of her proposed solution?

- Categorize each advantage offered by her proposed solution as long term or short term, and then compare lists to ensure that there is a balance between the two categories.

Not the best choice.

It's true that comparing a potential decision's long- and short-term advantages can be useful when you're resolving an ethical dilemma. However, Susan would be neglecting another more important method for fully considering the consequences of her proposed solution if she focused only on this.

- Identify whom and what her proposed course of action could injure, gaining new insight by discussing the plan with the affected parties.

Correct choice.

While Susan has done a good job of considering the positive consequences of her proposed solution, she hasn't yet considered the potential negative consequences for all stakeholders who would be affected by her selected course of action. This is the second step in the process of resolving an ethical dilemma. To fully assess the ethical nuances of her decision, she needs to ask herself, "Whom and what could my decision injure?"

In doing so, it would be most helpful for Susan to talk directly with affected stakeholders. After conducting these conversations, she should divide her analysis of potential negative consequences into three categories: "money" (for example, how might reassigning Gary's responsibilities negatively affect the group's costs and PerformIT's financial future?), "people" (how might this solution hurt Gary, other members of the group, and possibly Susan herself?), and "the common good" (how might the plan injure the communities in which PerformIT does business?).

- Seek to uncover wider conflicts of loyalty that she neglected to identify in her earlier round of gathering and analyzing the facts.

Not the best choice.

Susan seems to have done an admirable job of identifying the conflicts of loyalty that the situation with Gary has presented. To broaden her analysis of the potential consequences of her proposed solution to the problem, she should shift her focus to other kinds of consequences.

Scenario: Part 3

Part 3

Susan's analysis of her plan's potential negative consequences for "money," "people," and "the common good" generates additional insights. For example, while discussing the plan with the

other employees, Susan learns that many feel they're already working at maximum capacity. Some worry about burnout; others decry Gary's "special treatment." "He chose to live his life this way," one person snaps. "I've got different personal commitments, but they're just as demanding as family. Can I offload my work?"

Susan modifies her plan. Instead of reassigning Gary's responsibilities solely on the basis of skills, she also considers employees' interests and schedules. As it turns out, several employees have few outside commitments and would welcome the opportunity to travel to HealthCorp for meetings and software installations. Several others want to take on responsibilities that will let them use skills that have lain dormant. By reconfiguring task reassignments based on interests and schedules—in addition to skills—Susan sparks enthusiasm and helpfulness in her group, instead of resentment and burnout.

When she updates Tomas on the situation, he says, "So, your ethical dilemma is resolved?"

Is Susan finished with the process of resolving this ethical dilemma? If not, what should she do next?

- Susan has done everything she needs to do to resolve the ethical dilemma facing her. She should now implement her modified plan.

Not the best choice.

Susan has not yet done everything she needs to do to resolve the ethical dilemma presented by the situation with Gary. She has carried out the first step (gathering and analyzing data) as well as the second (considering the consequences). There is one step remaining in the process—testing the ethical soundness of her decisions.

- Susan is not finished with the process of resolving this ethical dilemma. She still needs to decide exactly when Gary's responsibilities will be reassigned and for how long.

Not the best choice.

It's true that Susan is not finished resolving the dilemma. There is one more step she must take to finish the decision-making process and feel confident that she has handled the situation ethically—testing the ethical soundness of her decisions. That step does not involve determining exactly when Gary's responsibilities will be reassigned and for how long.

- Susan has not completed the process of arriving at a decision that she can be confident is ethical. She should next test the ethical soundness of the latest version of her plan.

Correct choice.

Testing the ethical soundness of a decision is the third step in the process of resolving a dilemma. To test the soundness of her modified plan for reassigning Gary's responsibilities, Susan can ask

herself four questions: “Will my decision seem just as valid in the future as it seems now?” “Could I disclose my decision to people I respect without feeling qualms?” “Could anyone misinterpret the intent behind my decision?” and “Are there many conditions under which I’d consider it morally acceptable to make an exception regarding this decision?”

Scenario: Conclusion

Conclusion

Susan asks questions to test the ethical soundness of her new plan for reassigning Gary’s responsibilities. First, she determines that her decision will seem just as valid in the future as it seems now. That’s because, over time, other members of her group will likely face problems managing their work and family lives. So a plan for reallocating responsibilities based on skills, interests, and schedules will probably be relevant and useful in the long term.

Second, she concludes that she could disclose her decision to people she respects without feeling qualms. The new plan seems fair: It takes into account each employee’s situation and reflects PerformIT’s core values.

Third, she doesn’t see any way in which someone might misinterpret the intent behind her decision. It seems clear to her that she’s trying to honor PerformIT’s values while also balancing all stakeholders’ interests.

Susan stumbles a bit when asking herself if she’d ever make an exception regarding her decision. She imagines another employee asking to temporarily offload some work responsibilities to colleagues because her commitment to fundraising for local charities has become overwhelming.

Susan initially has trouble seeing this as a work-life balance issue. But with additional thought, she decides that work-life balance is about more than just managing family responsibilities. Her new system of reassigning job tasks as needed so every employee can deliver their best work while also living full lives should be available for everyone.

By wrestling with these questions, Susan ultimately concludes her decision is ethically sound.

Activity: Check Your Knowledge: Question 1

What is workplace ethics?

- Personal values that help individuals determine right and wrong.

Not the best choice.

Personal values that help individuals determine right and wrong are morals, not workplace ethics. Workplace ethics is actually how a person applies his or her morals specifically to professional

decisions.

- How a person applies his or her morals specifically to professional decisions.

Correct choice.

Workplace ethics is in fact how individuals apply their morals to professional situations and decisions. Workplace ethics is thus an example of applied ethics, as opposed to general philosophical inquiry into "what is good."

- A framework for resolving clear right-versus-wrong dilemmas in a business setting.

Not the best choice.

Workplace ethics is actually how people apply their morals to address ethical situations in a professional setting. Such situations can sometimes have a clear right and wrong solution. But more often, there's no one obviously "right" answer to the dilemma.

Check Your Knowledge: Question 2

Which of the following is the *best* reason that corporate compliance programs have limitations as tools for solving ethical dilemmas?

- Compliance programs focus on the law, not on a company's conduct codes and values.

Not the best choice.

Compliance programs don't necessarily focus only on the law; they often also contain references to conduct codes and values defined by the company. It's the fact that compliance programs emphasize the importance of obeying rules that really limits their power as tools for solving ethical dilemmas. That's because while rules are important, simply obeying them doesn't help managers understand the ethical implications of their decisions and actions. Managers thus don't acquire the critical thinking skills needed to resolve ethical dilemmas.

- Compliance programs emphasize the importance of obeying rules.

Correct choice.

The fact that compliance programs emphasize the importance of obeying rules limits their power as tools for solving ethical dilemmas. That's because while rules are important, simply obeying them doesn't help managers understand the ethical implications of their decisions and actions. Managers thus don't acquire the critical thinking skills needed to resolve ethical dilemmas.

- Compliance programs are too detailed to be helpful.

Not the best choice.

Some compliance programs may be overly detailed, but doesn't necessarily make them unhelpful. It's the fact that compliance programs emphasize the importance of obeying rules that really limits their power as tools for solving ethical dilemmas. That's because while rules are important, simply obeying them doesn't help managers understand the ethical implications of their decisions

and actions. Managers thus don't acquire the critical thinking skills needed to resolve ethical dilemmas.

Check Your Knowledge: Question 3

What is the Utilitarian framework for resolving ethical dilemmas that have no obvious "right" answer?

- The Utilitarian framework says that we can resolve ethical dilemmas by administering self-tests of our personal values.

Not the best choice.

Administering self-tests of our personal values (for example, asking yourself if you could sleep comfortably if you took a proposed course of action) is not the hallmark of the Utilitarian framework. It's the hallmark of a *values-based framework* for ethical decision making. Such frameworks can be helpful, but they're only as good as the individual's moral compass. Someone with no sense of morality might sleep comfortably after doing something unethical.

To use the Utilitarian framework, a person facing an ethical dilemma would ask, "Which decision would produce the most good for the greatest number of people?"

- According to the Utilitarian framework, the most ethically sound decision is the one that produces the most good for the greatest number of people.

Correct choice.

To use the Utilitarian framework, a person facing an ethical dilemma would ask, "Which decision would produce the most good for the greatest number of people?" The Utilitarian framework can provide some guidance for managers seeking to resolve ethical dilemmas. However, this framework is abstract. In a complex ethical dilemma, it's not always clear what a "good" outcome would be or who should be its recipient.

- The Utilitarian framework holds that managers should resolve ethical dilemmas by referring to specific guidelines defined in their company's code of conduct.

Not the best choice.

Following guidelines set out in a company's code of conduct is not the hallmark of the Utilitarian framework. It's the hallmark of a *rules-based framework* for ethical decision-making. A corporate code of conduct can help send a message about what's considered acceptable behavior in an organization. However, simply following rules doesn't teach people the critical judgment skills needed to navigate the gray areas that characterize right-versus-right ethical dilemmas.

To use the Utilitarian framework, a person facing an ethical dilemma would ask, "Which decision would produce the most good for the greatest number of people?"

Check Your Knowledge: Question 4

What is an ethical dilemma?

- A dilemma in which the final course of action you've elected to take is clearly appropriate.

Not the best choice.

An ethical dilemma is actually a situation in which you must choose between two or more actions, each of which could harm individuals or something inanimate, such as an organization, the environment, or the level of trust or security in a society. For instance, an action could violate someone's rights, erode conditions important to the common good, or call into question your ability to act on behalf of your deepest values.

- A dilemma in which either course of action you're considering could hurt someone or something.

Correct choice.

You know you're facing an ethical dilemma when either action you're considering could hurt one or more individuals or something inanimate, such as an organization, the environment, or the level of trust or security in a society. For instance, the action could violate someone's rights, erode conditions important to the common good, or call into question your ability to act on behalf of your deepest values.

- A dilemma in which all possible courses of action would benefit the most important stakeholder.

Not the best choice.

An ethical dilemma is actually a situation in which you must choose between two or more actions, each of which could harm individuals or something inanimate, such as an organization, the environment, or the level of trust or security in a society. For instance, an action could violate someone's rights, erode conditions important to the common good, or call into question your ability to act on behalf of your deepest values.

Check Your Knowledge: Question 5

You're facing an ethical dilemma related to a possible conflict of interest at work. You are ready to take the first step in the decision-making process for resolving an ethical dilemma presented in this topic: gathering and analyzing the facts. Which of the following would you do?

- Identify the conflicts of loyalty you're facing in this dilemma.

Correct choice.

Identifying conflicting loyalties is part of the first step of resolving an ethical dilemma: gathering and analyzing the facts. Step 1 also includes defining the problem from your perspective, defining it from others' perspectives, and tracing the situation's origin and history.

- Compare your intentions with the likely results of your action.

Not the best choice.

Though this is a valuable analysis to conduct, it's not part of the first step of resolving an ethical dilemma: gathering and analyzing the facts. Step 1 entails defining the problem from your

perspective, defining it from others' perspectives, tracing the problem's origin and history, and identifying conflicting loyalties.

- Ask yourself if the action you're considering would seem ethically valid in the long run.

Not the best choice.

Though this is a valuable question to ask, it's not part of the first step of resolving an ethical dilemma: gathering and analyzing the facts. Step 1 entails defining the problem from your perspective, defining it from others' perspective, tracing the problem's origin and history, and identifying conflicting loyalties.

Check Your Knowledge: Question 6

You're facing an ethical dilemma related to gift giving between businesspeople. You have taken the first step in the process for resolving ethical dilemmas presented in this topic—gathering and analyzing the facts. You're now ready to take the second step: considering the consequences. Which of the following would you do?

- Ask yourself whether you would be able to disclose your decision without qualms to individuals whom you respect.

Not the best choice.

Though this is a valuable question to ask, it's not part of the second step of resolving an ethical dilemma: considering the consequences. Step 2 entails comparing your intentions with the likely results of your action, identifying the people or things that could be harmed by your decision, and discussing the problem with the affected parties to the extent possible.

- Discuss the problem with people who would not be affected by the decision, to get neutral perspectives.

Not the best choice.

Though you may be able to gain some helpful insights by discussing the problem with people who would not be affected by your decision, part of considering the consequences (the second step of resolving an ethical dilemma) involves talking about the situation with the affected parties. Step 2 also entails comparing your intentions with the likely results of your action and identifying the people or things that could be harmed by your decision.

- Identify the negative effects of your decision on individuals and any larger societal concerns.

Correct choice.

Identifying the people or things that could be harmed by your decision is part of the second step of resolving an ethical dilemma: considering the consequences. It's helpful to divide your analysis of potential injury into three categories: (1) "money" (what negative financial consequences could your decision have?), (2) "people" (in what ways could your decision hurt one or more individuals who'd have a stake in your decision?), and (3) "the common good" (how might your

decision injure larger societal concerns such as the environment or the communities and cultures in which your firm does business?).

In addition to identifying the people or things that could be harmed by your decision, this step also entails comparing your intentions with likely results of your decision as well as discussing the dilemma with affected parties where possible.

Check Your Knowledge: Question 7

You're facing an ethical dilemma related to construction of a new facility in another country. You've gathered and analyzed the facts regarding the dilemma as well as considered the consequences of several possible courses of action (steps 1 and 2 of resolving an ethical dilemma presented in this topic). You've selected a final course of action and you want to take the third step in the process: testing your decision. Which of the following would you do?

- **Recheck your "money, people, common good" analysis to make sure it is accurate and thorough.**

Not the best choice.

Though it can't hurt to revisit your "money, people, common good" analysis, this isn't part of the third step in resolving an ethical dilemma (testing your decision). Step 3 entails testing whether the intent behind your action could be misperceived, as well as testing the long-term validity of your decision, whether you could disclose your decision without qualms to people you respect, and whether you'd make frequent exceptions to the values your decision is meant to support.

- **Ask yourself whether stakeholders might misperceive the intent behind your selected course of action.**

Correct choice.

Well-intended actions can sometimes be misperceived by others, so it's important to ask yourself whether this could happen with your selected course of action. For instance, a company's decision to offer a gift of conservation land near the location where it's building a new facility might be seen by local residents as a kind of bribe. To avoid misperception, managers should discuss their decision with stakeholders and, if necessary, reassure them of their honest intentions.

In addition to testing perceptions of your intent, step 3 in resolving an ethical dilemma entails testing the long-term validity of your decision, your personal comfort with your selected course of action, and whether you'd make frequent exceptions to the values your decision is meant to support.

- **Set the decision aside for a day or so, and then see whether the decision still seems ethically sound to you.**

Not the best choice.

Though it may be helpful to set your decision aside and return to it later, this isn't part of the third step of resolving an ethical dilemma: testing your decision. Step 3 entails testing whether stakeholders could misperceive the intent behind your decision, as well as testing the long-term

validity of your decision, your personal comfort with your selected course of action, and whether you'd make frequent exceptions to the values your decision is meant to support.

Check Your Knowledge: Question 8

Which of the following plays the *least* significant role in unethical behavior committed by managers?

- Individuals' inherent nature

Correct choice.

Though our inherent nature influences our behavior to some degree, two other forces play a far more powerful role in causing otherwise honest, intelligent, and compassionate managers to behave unethically. These forces are: (1) *the situation* (for example, an organization rewards managers for producing great results, regardless of how they do it), and (2) *group dynamics* (managers feel pressure to conform to the group by following tacitly agreed-upon ways of doing things, such as acting unethically if there's little chance of getting caught).

- The situation

Not the best choice.

Individuals' inherent nature actually plays the least significant role in unethical behavior committed by managers. The situation (along with group dynamics) exerts a far more powerful force. For example, if an organization rewards managers for producing great results regardless of how they do it, the likelihood that managers will behave unethically to generate those results (and get the rewards) will increase.

The fact is, most misconduct in the business world is carried out by normally honest, intelligent, and compassionate people—so individuals' inherent natures aren't the most powerful force behind unethical behavior.

- Group dynamics

Not the best choice.

Individuals' inherent nature actually plays the least significant role in unethical behavior committed by managers. Group dynamics, along with the situation, exert a far more powerful force. For example, many managers feel pressure to conform to the group by following tacitly agreed-upon ways of doing things, such as acting unethically if there's little chance of getting caught.

The fact is, most misconduct in the business world is carried out by normally honest, intelligent, and compassionate people—so individuals' inherent natures aren't the most powerful force behind unethical behavior.

Check Your Knowledge: Question 9

True or false: One commonly held belief that can cause managers to behave unethically is "Management will condone my behavior and protect me because my actions are helping my company."

- True

Correct choice.

The belief that management will condone someone's behavior and protect him or her because these actions benefit the company can cause normally honest, intelligent, and compassionate managers to behave unethically. Additional beliefs that can lead otherwise good managers to engage in misconduct are: "I'm acting in my company's best interests," "My actions will never be found out or (if they are) will never be made public," and "What I'm doing isn't really illegal or immoral."

- False

Not the best choice.

The belief that management will condone someone's behavior and protect him or her because these actions benefit the company *can* cause normally honest, intelligent, and compassionate managers to behave unethically. Additional beliefs that can lead otherwise good managers to engage in misconduct are: "I'm acting in my company's best interests," "My actions will never be found out or (if they are) will never be made public," and "What I'm doing isn't really illegal or immoral."

Check Your Knowledge: Question 10

What's considered ethical behavior can differ dramatically across cultures. So, how can managers best resolve ethical dilemmas when doing business across borders?

- Always do as the locals do, to show respect for cultural differences.

Not the best choice.

This mandate is the hallmark of *cultural relativism*, an extreme approach. It's understandable, as *not* doing what the locals do (such as paying bribes) can mean losing business to companies that consistently adopt local practices. However, this approach raises problems, because some countries condone certain practices (such as child labor) that violate basic human rights. Managers can best resolve ethical dilemmas when doing business across borders by asking whether behavior they're considering honors core human values and local traditions and makes sense given the context.

- Always do elsewhere exactly as you do in your home country, to stay true to your company's values.

Not the best choice.

This mandate is the hallmark of *ethical imperialism*, an extreme approach. It's understandable, because it provides a clear guide for decision-making and it seems sensible and honorable.

However, this approach doesn't respect different cultural traditions essential for doing business in some other countries (such as the giving of expensive gifts between businesspeople in Japan). Managers can best resolve ethical dilemmas when doing business across borders by asking whether behavior they're considering honors core human values and local traditions and makes sense given the context.

- Always ask whether behavior you're considering honors core human values and local traditions and makes sense given the context.

Correct choice.

This mandate helps you strike a balance between the extremes of *cultural relativism* (always do as the locals do) and *ethical imperialism* (as do elsewhere exactly as you do in your home country)—each of which is understandable but raises problems.

To strike this balance, ask whether a course of action you're considering honors three core human values (respect for human dignity, respect for basic rights, and good citizenship) and respects local traditions that don't violate those same human values. Consider the context too: Some practices unethical in one context may be acceptable in another. For instance, increasing pollution in a region where people are starving may be acceptable if it produces larger crop yields.

Check Your Knowledge: Results

Your score:

Steps for gathering and analyzing the facts

1. Define the problem from your perspective.

Lay out all the relevant and known facts you're aware of regarding the ethical dilemma facing you and the courses of action you're considering. Accept that you can't know all the facts.

2. Define the problem from others' perspectives.

State the facts from the viewpoint of other stakeholders who would be affected by a course of action you're considering.

3. Trace the problem's origin.

Ask yourself, "How did this situation come about?" and "What courses of action have been taken in the past to address this situation or similar situations?" See whether your answers to these questions stimulate ideas for additional possible solutions to the problem.

4. Identify conflicts of loyalty.

Identify all the stakeholders to whom you feel loyal as you try to resolve the problem in question. Articulate how these loyalties might conflict if you were to carry out a particular course of action you're considering.

Steps for considering the consequences

1. Compare your intentions with likely results.

Ask, "What is our true intent in carrying out a proposed course of action?" and "What results would most likely emerge if we took this action?" If there's a large gap between your intentions and the likely results, this may indicate ethical "gray areas" you need to discuss.

2. Identify how the course of action you're considering could have negative financial consequences.

Explore how your proposed course of action might negatively affect your company's or unit's cash flow, profitability, revenues, market capitalization, and other indicators of financial well-being.

3. Identify how your action could negatively affect specific individuals.

Consider how your action might hurt investors, employees, customers, suppliers, and business partners.

4. Identify how your action could hurt larger societal concerns.

Determine whether and how your action could hurt the environment or the communities, societies, and cultures in which your company does business.

5. Discuss the problem with affected parties.

If at all possible, talk about the ethical dilemma facing you with the parties who would be affected—positively and negatively—by the course of action you're considering. Invite them to present their concerns, questions, and perspectives on the dilemma and to shed additional light on how your proposed action would affect them.

Steps for testing your decision

1. Test long-term validity.

Ask, "Will our decision be as valid in the future as it seems now?" As time passes, new circumstances may arise that affect your company's value system and how managers resolve ethical dilemmas. A course of action you're considering today that seems perfectly ethical now may pose ethical problems later if circumstances change.

2. Test your "qualm meter."

Ask, "Could we disclose our decision to respected parties without any qualms?" If not, the course of action you're considering may present ethical problems.

3. Test perceptions of your intent.

Ask, "Could the intent behind our action be misperceived?" If so, discuss ways to ensure that people affected by your action understand your true intent.

4. Test your openness to exceptions.

Ask, "Under what conditions would we consider it acceptable to make an exception to the values and ethics embodied in our decision?" If there are many conditions under which you would make

an exception, your decision may not be ethically sound.

Steps for resolving conflicts of relative development and cultural tradition

1. Identify which type of conflict you're facing.

In a **conflict of relative development**, ethical standards clash because of countries' different levels of economic development. A practice that seems unethical to you might be completely acceptable in a developing nation. For example, an emerging economy may be comfortable with wage rates that are extremely low by more advanced countries' standards in order to attract investment.

In a **conflict of cultural tradition**, ethical standards clash because of differences in deeply held cultural or religious beliefs. Examples of standards that can come into conflict include gift-giving practices, rules about what kinds of jobs women can hold, and assumptions about what should qualify a job seeker for a particular position (family connections? tenure at the company? experience?).

2. Resolve conflicts of relative development.

If you've determined that you're facing a conflict of relative development, ask yourself, "Would this practice be acceptable at home if my country were in a similar stage of development?" If yes, the practice is likely acceptable in your host country.

However, note that some practices would not be acceptable at home even if your country were in a similar stage of development—because they violate basic human rights. Examples include lax pollution standards that expose citizens to a high risk of cancer.

3. Resolve conflicts of cultural tradition.

If you've determined that you're facing a conflict of cultural tradition, ask yourself:

- "Is it possible to conduct business successfully in this host country without undertaking the practice in question?"
- "Does the practice violate a core human value?"

If the answer to *both* questions is no, then the practice may be permissible. For instance, most people would agree that doing business in Japan would be virtually impossible without adopting Japanese gift-giving practices. Such giving doesn't violate a core human value because it is limited in scope and hurts no one. Thus, gift giving may be permissible for foreign companies in Japan even if it conflicts with ethical standards at home.

Tips for addressing ethical challenges practically

- Pick your battles. That is, invest your political capital (your reputation for accomplishing things and your networks of people who appreciate and reward your efforts) in resolving the high-profile ethical dilemmas that matter most. Before taking a stand on an ethical issue, calculate the risks and returns to your political capital.
- Buy time. When an ethical dilemma escalates, tell everyone involved that you'll get back to them. Seek advice from various sources and raise probing questions about the dilemma. As you gain time to work through the issue, it may resolve itself.
- Be willing to compromise. Responsible, workable compromises can help you arrive at a solution to an ethical dilemma that everyone involved is comfortable with. An unwillingness to compromise

may be morally principled—but it's often unrealistic.

- Bend the rules without breaking them. It's important to learn when a situation calls for exceptions to protect the validity of the company or integrity of the person making the decision. To resolve tricky ethical dilemmas, maneuver within the boundaries set by your company's policies and rules.

Tips for confronting others about unethical behavior

- Accept that it's necessary to monitor what your peers are doing and, when necessary, to call them to account.
- Remind yourself that confronting others about unethical behavior is right for your organization.
- Don't wait for egregious behavior to occur. As soon as you see warning signs, confront the person(s) involved.
- Don't confront others in an accusatory fashion. Instead, demonstrate that you're in fact-finding mode.
- Consult with others to make sure your perceptions are not erroneous.
- If the person you're considering confronting is above you in the company's reporting hierarchy and you feel it's impossible to confront him or her, consider that you may not be in the right organization.

Tips for making ethical decisions as a group

- Hold the meeting in neutral territory—an off-site location, a conference room—so all members of the group can participate with the same degree of freedom.
- Include an outsider who can help bring the values already present in your organization into the open. He or she can generate closer examination of any discrepancies between values and practice.
- Designate someone to help ensure that one person does not dominate the discussion and that the dialogue doesn't become too emotional.
- Articulate your company's values and objectives. These can provide reference points for the group's discussion and eventual decision.
- Make certain that there is defined point at which the discussion arrives at a resolution—whether it's a vote on a proposed course of action, adoption of a new policy or plan, or a timetable for implementation of the selected action.

Tips for fostering a global ethical perspective

- Treat your company's corporate values and formal standards of conduct as absolutes. Whatever ethical standards your organization has chosen, managers shouldn't waver on those principles at home or abroad.
- Help design and implement conditions of engagement for suppliers and customers. For example, will you do business with suppliers or customers who use child labor? Have strong links to organized crime? Don't leave such issues for spur-of-the-moment decisions.
- If you're working in a foreign business unit, augment your organization's ethical principles with your own suggestions for principles and practices that can help you and other managers resolve ethical conflicts.
- In countries where your organization does business, support efforts to decrease institutional corruption. Suggest that your company join coalitions of businesses, government officials, and

others who are working to combat corruption.

- Exercise moral imagination by resolving ethical dilemmas responsibly and creatively. For instance, if your company risks losing business in a foreign nation because it's turning down requests for bribes, think of other ways to gain political support and public trust—such as sponsoring a project to plant trees, or funding child workers' education.

Worksheet for gathering and analyzing the facts

Harvard ManageMentor — ETHICS AT WORK TOOLS	
Worksheet for Gathering and Analyzing the Facts	
Use this worksheet to gather and analyze facts related to an ethical dilemma you're facing. Gathering and analyzing the facts is the first step in deciding what course of action to take to resolve an ethical dilemma.	
Part 1: Identifying the Dilemma	
1. What is the ethical dilemma you are facing? Example: "I've just learned that I'll need to lay off several of my employees in a couple of months. One of them is considering buying a home and has asked for my advice on purchasing real estate. I don't know whether to tell him about the impending layoff."	
Part 2: Define the Problem from Your Perspective	
2. List all the relevant facts you're aware of regarding your dilemma. Phrase the facts in neutral rather than emotionally loaded language. Example: "My employee is considering buying a home," not "Is he crazy, taking out a mortgage when the company's not doing well?"	
3. List types of facts that you can't be certain of at this time. Example: "I don't know yet when the layoff will happen, how firm my employee's real estate plans are, or whether the employee has financial resources in addition to his pay."	
Part 3: Define the Problem from Others' Perspective	
4. List the various stakeholders affected by the dilemma. Example: "The employee himself. The rest of my team. My company. Shareholders. Customers."	
5. State the facts regarding your dilemma from the viewpoint of the various stakeholders you've identified. Example: "Employees considering making a major financial commitment want to know that they have a stable income."	

Worksheet for considering the consequences

Harvard ManageMentor — ETHICS AT WORK TOOLS
<i>Worksheet for Considering the Consequences</i>
<i>Use this worksheet to consider the consequences related to an ethical dilemma you're facing. Considering the consequences is the second step in deciding what course of action to take to resolve an ethical dilemma.</i>
Part 1: Identify the Dilemma and Proposed Course of Action
1. What is the ethical dilemma you are facing? Example: "I've just learned that I'll need to lay off several of my employees in a couple of months. One of them is considering buying a home and has asked for my advice on purchasing real estate. I don't know whether to tell him about the impending layoff."
2. What course of action are you leaning toward taking? Example: "I'm leaning toward telling him about the layoff."
Part 2: Compare Intentions with Likely Results
3. Describe your true intentions if you were to carry out the course of action you're leaning toward. Example: "My true intention in telling my employee about the impending layoff is to help him avoid making a major financial commitment that he couldn't fulfill—while also safeguarding the morale and productivity in the rest of my team."
4. Describe the results that would most likely emerge if you implemented the course of action you're considering. Example: "The employee would probably decide not to buy the house. But he might also share the information about the layoff with the rest of the team, causing stress and loss of productivity."
Part 3: Identify Whom and What Your Decision Could Injure
5. Identify any ways in which the course of action you're considering could have negative financial consequences. Example: "If the employee shares information about the layoff with the rest of the team, productivity could suffer, which would lead to costly inefficiencies and lost revenues."

Worksheet for testing your decision

Harvard ManageMentor — ETHICS AT WORK TOOLS	
Worksheet for Testing Your Decision	
Use this worksheet to test a decision related to an ethical dilemma you're facing. Testing your decision is the third step in deciding what course of action to take to resolve an ethical dilemma.	
Part 1: Identify the Dilemma and Proposed Course of Action	
1. What is the ethical dilemma you are facing? Example: "I've just learned that I'll need to lay off several of my employees in a couple of months. One of them is considering buying a home and has asked for my advice on purchasing real estate. I don't know whether to tell him about the impending layoff."	
2. What course of action are you leaning toward taking? Example: "I'm leaning toward not telling him about the layoff, because I've learned that he's not intent on becoming a homeowner right away and that he has additional sources of income."	
Part 2: Test Long-Term Validity	
3. List ways in which circumstances related to the ethical dilemma you're facing could change. Example: "My employee could suddenly become serious about taking on a mortgage or lose his extra sources of income."	
4. Determine whether the course of action you're considering now would seem unethical if any of the circumstances you identified above came to pass. Example: "If my employee becomes serious about buying a home, not telling him about the impending layoff would seem unethical to me."	
Part 3: Test Your "Quality Meter"	
5. List the individuals you respect most. Example: "These individuals include my spouse, my parents, my boss and peers, my best friend, and members of our surrounding community."	

Worksheet for resolving a cross-cultural ethical dilemma

Harvard ManageMentor — ETHICS AT WORK TOOLS	
Worksheet for Resolving a Cross-Cultural Ethical Dilemma	
Use this worksheet to resolve a cross-cultural ethical dilemma you're facing.	
1. Describe the cross-cultural ethical dilemma you are facing. Example: "I've just learned that one of the excellent overseas suppliers my division uses employs children under the age of 14. This practice is frowned upon in my company but is tolerated in the overseas nation. I don't know what to do."	
2. List the courses of action you're considering to resolve this dilemma and any concerns you have about each possible action. Example: "We could cut off relations with the supplier, losing out on the excellent workmanship at low prices that they provide us. We could ask them to stop employing the children, but that wouldn't ensure that the children would receive an education. And it would create serious hardship for the families dependent on the children's wages."	
3. List any concerns about the core human value of "respect for human dignity" that your dilemma raises. Example: "Employing children suggests that they are simply tools to be used."	
4. List any concerns about the core human value of "respect for basic rights" that your dilemma raises. Example: "Employing children deprives them of opportunities to receive an education—a basic right that's as important as health, safety, and an adequate standard of living."	
5. List any concerns about the core human value of "good citizenship" that your dilemma raises. Example: "Employing children takes attention away from the need to strengthen important social institutions on which communities depend—such as schools."	

Why Develop Others?

“At the end of the day, you bet on people, not strategies.”

Larry Bossidy
Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy
Professor
University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle where everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on

business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

Dr. Noel M. Tichy

Professor, University of Michigan Ross School of Business

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply

sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[How ethical are you?](#)

[Tips for making ethical decisions as a group](#)

[Tips for confronting others about unethical behavior](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

Discussion 1: Gathering the facts of an ethical dilemma

Is your team currently facing (or has it ever faced) an ethical dilemma? In such a situation, there are several possible appropriate courses of action for resolving the dilemma—but each involves trade-offs. Moreover, your company's ethics code may not provide any guidance for how to resolve the dilemma.

Ethical dilemmas may range from relatively focused (such as, "Uh oh...What do I do with this list of salaries someone left in the copy machine?") to major and complex (e.g., "Where should we locate our new manufacturing plant?"). Even though these situations are difficult to resolve, it's crucial that teams learn how to tackle them. By effectively handling ethical dilemmas, teams help produce valuable results for their organization—such as a positive reputation in the eyes of customers and investors, and a workforce that's proud to be associated with a reputable company.

Mastering a systematic approach can help your team grapple with even the thorniest ethical dilemma. A good first step is to learn how to set emotions aside and gather the facts related to the situation.

Use these resources to lead a discussion with your team about how to gather the facts related to an actual ethical dilemma the team is currently facing or has faced in the past.

Download resources:

[Discussion Invitation: Gathering the Facts of an Ethical Dilemma](#)

[Discussion Guide: Gathering the Facts of an Ethical Dilemma](#)

[Discussion Slides: Gathering the Facts of an Ethical Dilemma \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

The discussion you have with your team will help them put into practice several actions essential for gathering the facts related to their selected ethical dilemma. By exchanging ideas, experiences, and stories, team members will gain familiarity with a key step in the process of resolving an ethical dilemma.

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Discussion 2: Evaluating and testing a proposed solution to an ethical dilemma

Is your team considering a potential course of action to solve an ethical dilemma it is facing? If so, team members will need to evaluate their proposed solution and test its ethical soundness. This discussion is ideally used as a follow-up to the discussion "Gathering the Facts of an Ethical Dilemma." Alternately, you can use it to help team members practice an approach to evaluating actual proposed

solutions to current or past ethical dilemmas.

When trying to resolve an ethical dilemma, your team members may be tempted to move too quickly from gathering the facts surrounding the dilemma, to deciding and implementing a course of action. But to ensure an effective response to ethical dilemmas, teams must learn how to evaluate and test the soundness of a proposed solution before taking action.

By effectively handling ethical dilemmas, teams help produce valuable results for their organization—such as a positive reputation in the eyes of customers and investors, and a workforce that's proud to be associated with a reputable company.

Use these resources to lead a discussion with your team about how to evaluate and test a proposed solution to an ethical dilemma.

Download resources:

[Discussion Invitation: Evaluating and Testing a Proposed Solution To An Ethical Dilemma](#)

[Discussion Guide: Evaluating and Testing a Proposed Solution](#)

[Discussion Slides: Evaluating and Testing a Proposed Solution \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

The discussion you have with your team will help them learn how to evaluate and test a possible solution to an ethical dilemma they have encountered. By exchanging ideas, experiences, and stories, team members will gain familiarity with key steps in the process of resolving an ethical dilemma.

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)

[Learning Project Plan Template](#)

[Learning Project: Improve Your Ability to Make Ethical Decisions as a Group](#)

[Learning Project: Analyze Your Company's Ethics Code](#)

Keeping Your Colleagues Honest

Mary Gentile. "Keeping Your Colleagues Honest." *Harvard Business Review*, March 2010.

[Download file](#)

Summary

Just promoted from the accounting group at headquarters, Jonathan is now the controller for a regional sales unit of a consumer electronics company—and he realizes in short order that the next quarter's sales are being reported early to boost bonus compensation. The group manager's silence suggests that this sort of thing has probably happened before. This may seem like a mundane accounting matter, but the consequences—in terms of carrying costs, distorted forecasting, compromised ethical culture, and even legal ramifications—are very serious. And except in extraordinarily well-run corporations, managers face situations like this all the time. You know something's wrong. You know you need to make it stop. But you don't necessarily know when to speak up, how to speak up, and, most important, how to be effective. Drawing on the author's research over the past four years, this article walks you through the rationalizations commonly used to justify unethical behavior—everything from "this is just how things work in our industry" to "it's not your job to fix this; stick to your knitting." It also gives concrete advice about how to raise your voice effectively.

What's Needed Next: A Culture of Candor

James O'Toole and Warren G. Bennis. "What's Needed Next: A Culture of Candor." *Harvard Business Review*, June 2009.

[Download file](#)

Summary

If there's one thing that the past decade's business disasters should teach us, it's that we need to stop evaluating corporate leaders simply on the basis of how much wealth they create for investors. A healthier yardstick would be this: the extent to which leaders create firms that are economically, ethically, and socially sustainable. The first step toward accomplishing that task is to create a culture of candor. Companies can't innovate, respond to stakeholder needs, or run efficiently unless the people inside them have access to timely, relevant information, point out professors O'Toole, of the University of Denver's Daniels College of Business, and Bennis, of the University of Southern California. Increasing transparency can be an uphill battle against human nature, however. The obstacles are numerous: macho executives who don't listen to their subordinates or punish them for bringing bad news; leaders who believe that information is power and hoard it; groupthink among team members who don't know how to disagree; boards that fail to question charismatic CEOs. Nevertheless, leaders can take steps to nurture transparency. By being open and candid, admitting their errors, encouraging employees to

speaking truth to power, and rewarding contrarians, executives can model the kind of conduct they want to see.

The CEO's Private Investigation

Joseph Finder, Harry Brandon, Christopher E. Kubasik, James B. Comey, Eric A. Klein, and William J. Teuber. "The CEO's Private Investigation." *Harvard Business Review*, October 2007.

[Download file](#)

Summary

When new CEO Cheryl Tobin arrives at Hammond Aerospace, she picks up a faint scent of corruption. But if her predecessor broke the rules, her executive team isn't talking. Cautious about damaging reputations over nothing, she hesitates to make her concerns public. Is a private investigation warranted? Four experts comment on this fictional case study written by Joseph Finder, a best-selling author of corporate thrillers. Harry Brandon, an international business-intelligence specialist, helps firms get to the bottom of affairs like this one. Meticulous evaluation of documents and tactful tapping of insiders are crucial, he says, for determining whether laws have been violated. In a quarter of cases, there's no fire behind the smoke; in the rest, he finds flames. Christopher E. Kubasik and James B. Comey, of Lockheed Martin, offer Cheryl advice from the real-world aerospace industry: Go first to the vice president of ethics or, absent one, the folks who run the internal audit organization. Wherever that leads her, Cheryl's top goal should be to send a clear message that hints of wrongdoing will not be ignored. Eric A. Klein, a lawyer at Katten Muchin Rosenman who advises corporations and their boards, has a cardinal rule: Manage the process, not the crisis. He says Cheryl should find out how previous matters of ethics were handled at Hammond. She must also assess her legal responsibilities, weighing the potential costs and benefits of an inquiry. William J. Teuber, Jr., of EMC, says Cheryl should tap the wisdom of the board chairman, who has just recruited her. If an investigation is warranted, Teuber argues that external lawyers are best equipped for the job and that Cheryl should not keep digging for dirt on her own.